Austria .... Sch. 18	Indonesia .. Rp 2500	Portugal .. Esc 75
Bahrain .. Din 0.650	Italy .... L 1100	S. Arabia .. Rls 6.00
Belgium .... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada .... C$2.00	Jordan .... Fils 500	Spain ..... Pts 100
Cyprus .... Mils 600	Kuwait .... Fils 500	Sri Lanka .... Rup 30
Denmark .. Dkr. 7.75	Lebanon .. £L 6.00	Sweden ... Skr 6.50
Egypt ..... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.00
Finland .. Fmk 5.60	Malaysia .. Rm 4.25	Taiwan .... NT $65
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey ..... L 160
Greece ..... Dr 80	Netherlands . Fl 2.50	U.A.E. .... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.50
India ..... Rup 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,320

Monday May 14 1984

D 8523 B

U.S. threat to London's leadership in Eurobond market, Page 12

NEWS SUMMARY

GENERAL

Kuwaiti tanker hit by missile

A Kuwaiti tanker, carrying more than 76,000 tonnes of fuel oil and on its way to Britain, was hit by a missile fired from a fighter aircraft believed to be Iraqi in the Gulf.

The Kuwait state tanker company said no-one was injured in the attack on the Umm Casba, and that there was no explosion or fire. Damage was confined to the central tank and no oil had been lost.

It said the attack – the third on Arab tankers in three weeks – was made outside the Iraq-declared exclusion zone. **Page 14. Iraq pipeline plan. Page 4**

Shoot-on-sight order

Indian security forces were given shoot-on-sight order in the riot-torn Punjab after the Sikh murder of Hindu newspaper editor Ramesh Chander. A curfew was imposed in Amritsar. **Page 2**

Corruption trial

The first corruption trial under Nigeria's new military Government is due to open in Lagos today. Three former state governors face charges involving about $3.6m. **Page 14**

Manila boycott call

About 10,000 people attended a Philippines opposition rally to boycott today's parliamentary elections, almost certain to be won by President Ferdinand Marcos's party.

Sri Lanka threat

Sri Lanka separatists have written to President Junius Jayewardene threatening to kill a kidnapped U.S. couple, Mr Stanley Allen and his wife, Mary, unless their demands are met.

Britons freed

Sixteen Britons and the Portuguese wife of one of them, arrived in Johannesburg after being freed by Angolan rebels who had held them for two months. **Page 2**

China accused

Vietnam accused China of continuing "artillery bombardments and land-nibbling attacks" along its north border.

Libya shooting

Libya said its security forces had shot dead Wajdi Ash-Shweihdi, leader of the dissident group which tried to assassinate leader Muammer Gaddafi last week.

Belgian arms raid

Armed men attacked a Belgian army barracks at Vielsalm in the Ardennes, wounding a guard, and escaped with about 20 weapons.

Guerrillas fly out

Five leftist Salvadoran guerrillas flew to Mexico after releasing 73 hostages held in a supermarket, in exchange for a safe-conduct out of the country. **Page 2**

Facelift for Genghis

China is giving a facelift to the mausoleum of 13th century conqueror Genghis Khan in south-west Inner Mongolia to include 2,000 square metres of murals depicting his court and achievements.

18 die in Beirut

Fierce shelling in Beirut followed the first serious meeting of Lebanon's new cabinet, ending a relatively peaceful week. Eighteen civilians were killed, and about 70 wounded.

Pope's Soviet hope

Pope John Paul, back in Rome after his 10-day visit to Asia and the Pacific, said he would like to visit the Soviet Union.

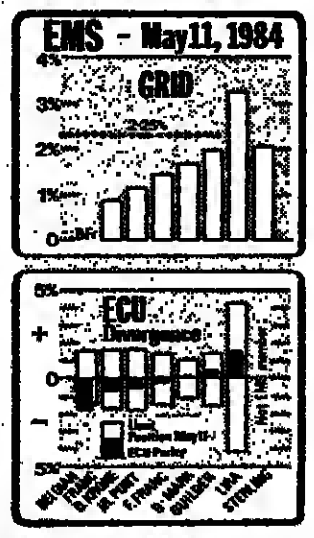
BUSINESS

Brazil missing its IMF targets

BRAZIL'S growth of money supply and monetary base are exceeding by a wide margin the target limits set by the IMF. **Page 3**

TRADE AND FINANCE ministers of 14 industrial and developing nations agreed in Washington that the programme launched in 1982 to improve the General Agreement on Tariffs and Trade is progressing too slowly. **Page 4**

THE STRENGTH of the U.S. dollar remained the focus of attention in the European Monetary System last week. Higher U.S. interest rates and few signs of a turnround kept the dollar in demand and prompted sustained intervention by



several central banks, notably the West German Bundesbank.

The D-Mark has suffered heavily under the double blow of renewed dollar demand and an undermining of confidence due to recent industrial unrest.

The Belgian franc was the weakest currency, but was not under any downward pressure in view of the D-Mark's recent weakness. The Belgian central bank abstained from supporting the franc for the fifth successive week.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

EEC foreign ministers meet in Brussels today, and are likely to shelve attempts to agree limiting Britain's budget contributions until after the June 14-17 elections. **Page 14**

OIL: 10 leading UK offshore supply companies are pressing for a better deal for British technology. **Page 14**

PORTUGAL's exports rose 9.7 per cent in value last year; imports decreased by 15 per cent, said Trade Minister Alvaro Barreto.

EGYPTIAN military exports, worth $1bn in 1982, are down to $0.5m.

SHORT BROTHERS, Britain's state-owned Belfast aircraft manufacturer, is understood to be considering taking over part or all of the vacant De Lorean car plant **Page 9**

ALITALIA, Italian state airline, registered a net profit of L16.4bn ($10.8m) last year compared with L1.3bn in 1982, with operating profit up to L157bn from a loss of L52bn. **Page 16**

TRILOGY, California-based U.S. computer developer, announced its "supercomputer" would not be ready for shipment until 1987. **Page 16**

The editorial content of today's international edition has been restricted because of continuing industrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news.

Wall St. bond traders return cautiously to the fray

BY PAUL TAYLOR IN NEW YORK

WALL STREET'S bond traders return to the fray this morning, licking their wounds and wondering how much darker the market's mood could get.

Tomorrow is settlement day, when Wall Street must pay the $16.5bn it spent last week buying the new paper which the U.S. Treasury sold as part of its effort to fund the rapidly expanding federal budget deficit.

The traders and the big Wall Street firms who bought the three, 10 and 30-year government paper will be hoping for more than a technical rally after the weekend break. The break will have provided an opportunity to assess the apparent serious collapse in market confidence towards the end of last week.

On Friday, the market's current volatility was vividly demonstrated by a wave of selling which sent the long bond tumbling by more than two full points in two hours. With no retail buyers in sight, some professionals apparently got cold feet, selling bonds in what was generally described as "near panic" trading. Although bond prices later recovered most of their earlier losses as bargain hunters entered the market, Wall Street's losses could still be high.

Based on the Friday closing price of 98¹⁵⁄₃₂ for the new Treasury 30-year bond, those that bought the $4.75bn issue at the Thursday auction stand to lose a cool $47.5m on that issue alone. For those that sold at the bottom of the market on Friday morning, when the new Treasury long bond was selling for 96¹⁴⁄₃₂ compared with an average auction price of 99¹⁵⁄₃₂, individual losses could be even more dramatic.

The perilously fragile state of the U.S. credit markets is reflected in market statistics. Since the start of the year, short-term business borrowing has increased by $36.5bn, U.S. money market rates have increased steadily, the prime rate has risen in three steps totalling 1.5 percentage points and long-term rates have soared by almost two percentage points.

Last week was also the first anniversary of the first post-rally downturn in the markets and traders were full of superlatives to express their feelings. The market is "in free fall," said one. "We are riding a rollercoaster," said another. The market "is gripped with fear," said a third. One trader made the more obvious observation that "if the administration has any doubts about deficits, they had better look at this."

Wall Street's senior economists were ready to fan the flames. Dr Henry Kaufman headlined his weekly "Comments on Credit" with "Market free fall," and other economists talked of "a totally demoralised fixed income market."

More ominously, Mr Frank Mastrapasqua of Smith, Barney, the Wall Street securities firm, noted the particularly sharp increase in bank CD rates last week – reflecting concerns about bank credits and liquidity – and the fact that each percentage point increase in U.S. interest rates adds about $4bn to the cost of servicing the debt of the less developed nations in the course of a year.

He warned: "The domestic and international financial system is once again under increasing stress with the growing prospect of financial dislocation... In the weeks ahead, the Fed may once again have to play the role of lender of last resort and the Administration and Congress may well be conducting budget deliberations in an emerging crisis environment."

Sober words indeed. Last week also marked the return of what is generally known as Fed "jawboning". Mr Larry Speakes, the White House press secretary, set the ball rolling with an attack on the Fed, who he blamed for the latest prime rate increase. Mr Donald Regan, the Treasury secretary, was quick to join in.

U.S. bonds, Page 16

Feldstein warns U.S. Treasury policy will renew inflation

BY STEWART FLEMING IN WASHINGTON

Mr Martin Feldstein, chairman of President Ronald Reagan's council of economic advisers, whose resignation was announced last week, has hit out at Treasury Secretary Mr Donald Regan's call for a more expansionary monetary policy, widening the split on economic policy within the Administration.

Speaking at the Business Council meeting in Hot Springs, Virginia, on Saturday, Mr Feldstein responded specifically to Mr Regan's attacks on the Federal Reserve Board's monetary policy, saying that he was "frankly surprised to see the Treasury Secretary was still making the kind of comment he was reported in today's paper to have made."

Mr Feldstein went on: "I think it could be a terrible mistake to try and push interest rates down with an expansionary monetary policy. It would not work and it would only lead to an increase in inflation next year."

If the Fed shifted to an easier money stance "at most you could get a temporary reduction in short rates and you may not even get that," Mr Feldstein said. An easier monetary policy would "simply drive up long rates in parallel to the expected increases in inflation," he warned.

Mr Paul Volcker, the Fed chairman, who was also attending the meeting in Virginia, carefully avoided directly responding to Mr Regan's attacks on the Fed.

Mr Volcker took the opportunity, however, to underline once again the Fed's concerns about the size of the federal budget deficit, U.S. dependence on foreign capital to meet its financing needs and the current strength of credit demands in the economy.

The Fed chairman drew strong support from some of the top U.S. business executives attending the meeting.

Mr David Roderick, chairman of U.S. Steel, said of Mr Volcker: "He is the professional and deserves the support of the business community."

The new row between Mr Feldstein and Mr Regan over economic policy erupted in the wake of last week's decision by major U.S. commercial banks to increase their prime lending rate from 12 per cent to 12½ per cent. Following that announcement last Tuesday, the White House, in a transparent effort to shift the blame for rising interest rates on to the Federal Reserve and away from President Reagan's fiscal policy, attacked the Fed for keeping credit too tight to accommodate "real economic growth."

On Thursday and Friday of last week the U.S. Treasury and Treasury Secretary Mr Donald Regan also turned on the Fed, America's central bank. The force of the attack, and its timing after comments by administration officials a few weeks ago which were interpreted as mildly supportive of the Fed, have served to underline the deepening concern within the White House about this year's interest rate increases.

Officials fear they could begin to undermine perhaps the strongest plank in President Reagan's re-election campaign – the performance of the economy in the past year.

In comparison with the past, voters are now much more sensitive to rising interest rates, in part because many more of them have home loans with interest rates that can move up and down with the market instead of being fixed for the period of the mortgage.

There are already signs, however, that Mr Regan's attempts to blame the Fed for interest rate increases are backfiring in much the way that Mr Feldstein fears, by eroding confidence in the financial markets

Continued on Page 14

Brazil fails to meet monetary targets, Page 3

UK summit will seek to avert new debt crisis

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

URGENT STEPS to protect the world's debtor nations from the effect of rising U.S. interest rates are to be considered at the economic summit in London next month.

This reflects growing alarm among European officials and ministers that any further rise in rates could precipitate a crisis for the developing nations with debts totalling some $800bn.

It is estimated that every 1 percentage point rise in interest rates adds $3.5bn a year to debt service payments. As one European monetary official said: "We are all deeply worried about the impact of high interest rates on debt. Somewhere there is a last straw that breaks the camel's back. Perhaps the breaking point is not so very far away."

Briefings for the seven heads of state and government in preparation for the summit will emphasise two dangers. The first is that major debtors may be unable to pay increased interest charges without a new and painful round of economic adjustment.

Secondly it is feared that debtor countries could use a new political argument against their creditors that they should not suffer as the result of "mistaken" U.S. policies.

It is now being privately conceded among European officials that some way may have to be found to protect debtor countries against a rise in rates, but there is little unanimity at present about what method should be used.

There appears to be some scepticism in Europe about a U.S. inspired scheme to cap interest rates charged to Third World countries; and there is almost no sympathy for the idea that the International Monetary Fund should subsidise the interest payments of Third World countries.

However, it is acknowledged that recent rescheduling agreements have allowed Third World countries to capitalise interest payments on a very large scale.

The ideas to be discussed will include:

- Ideas for lengthening the maturities of some Third World debt to flatten the "hump" of amortization payments forseen in 1986 to 1988.
- Proposals to widen the role of the World Bank in lending for structural development in the Third World rather than for specific projects.
- Increasing the flow of private capital to the Third World. The summit nations will be asked to consider what political pressure could be mounted to remove obstacles to private investment in countries where profits cannot be repatriated or where "patriotic" laws limit the sale of assets to multinational companies.
- Renewed pressure will be put on the President Ronald Reagan to speed up his efforts to cut his country's budget deficit from projected levels of $200bn to $300bn, to something much nearer $100bn or less.

Genscher seeks to halt tax amnesty revolt

By Rupert Cornwell in Bonn

HERR Hans-Dietrich Genscher, West German Foreign Minister and leader of the Free Democrat (FDP) partner in the Bonn coalition, last night attempted to stop a spreading revolt in his party over the Government's planned tax evasion amnesty on party political contributions.

The rebellion, endorsed by seven of the FDP's 11 regional bodies in the Länder and Berlin, now represents a threat to the stability of the coalition under Christian Democrat (CDU) Chancellor Helmut Kohl. It is also a direct challenge to the personal authority of Herr Genscher.

Last week Herr Kohl obtained approval for the draft Bill, which could affect up to 1,800 people who might otherwise face prosecution, from his own party congress in Stuttgart. Both he and Herr Genscher insist that whatever the misgivings about the Bill, it will go before parliament as planned on May 24. But calls for its withdrawal are increasing.

Finding a way out of the impasse promises to be tricky. After yesterday's decision of the FDP's largest regional party, in North Rhine-Westphalia, to oppose the amnesty, there seems to be a clear majority against the proposal for the June FDP national congress in Münster.

Theoretically, the Chancellor needs the support of six of the FDP's 34 MPs to win a majority for the amnesty in the 498-seat Bundestag. But such a narrow victory would impose severe strains on his coalition – and threaten an already weakened FDP.

The FDP's poor showing in recent local elections has already provoked criticism of Herr Genscher from within the party. This weekend the Schleswig-Holstein FDP congress unanimously rejected the amnesty idea, while some delegates called for "new people as well as new policies" at the helm.

Strikes at vehicle component manufacturers due to start today are expected to lead to major problems for West German car makers.

The strikes, by the IG-Metall engineering union in support of its demand for a 35-hour week, will initially involve 13,000 workers at 14 plants in northern Baden-Württemberg. They may soon be joined by selected factories around Frankfurt.

Citroën sit-in poses test for Mitterrand

BY PAUL BETTS IN PARIS

THE DRAMATIC occupation by militant workers of the large Citroën car plant of Aulnay-sous-Bois, outside Paris, is expected to turn into another major labour relations test this week for the French left-wing Government.

The plant, which employs 6,500 people, continued to be occupied yesterday for the third consecutive day with angry workers, including many immigrants, warning they would continue to block production until the company and the French Government started negotiations with the labour unions over Citroën's plans to reduce the workforce.

The occupation of the plant started on Friday afternoon and was organised by the pro-communist CGT union. M Henri Krasucki, the secretary-general of the large CGT labour confederation, said yesterday it was important to "negotiate quickly" at Aulnay.

M Krasucki adopted a tough line against Peugeot, the private French automobile group which owns Citroën, and the Government. He used the occasion to attack French economic policies claiming that the guidelines for the 1985 budget suggested it would be "disastrous."

The situation at Citroën had been simmering for several weeks, ever since, the company announced lay-offs involving 6,000 workers, including up to 3,000 compulsory redundancies. The CGT-led occupation of Aulnay, however, is likely to strain further the political climate among the left.

After the CGT's failure to control the situation during the violent strike earlier this year at the Peugeot group's large Talbot car plant at Poissy, also outside Paris, the pro-communist union clearly does not intend to allow this to be repeated at Aulnay.

This appears to have prompted the union's pre-emptive strike at Aulnay on Friday by suddenly organising the plant occupation and paralysing production. But through this action, the CGT, and hence the Communist Party, also appear to be using the Citroën affair to attack the Government's tough policies on industrial restructuring.

President François Mitterrand last week expressed his irritation at the Communist Party's constant attacks against the policies of a coalition government of which they are the junior members.

But with the European elections closing in, the Communists are un-

Continued on Page 14

Doubts on W. Berlin cable plant

By John Davies in Frankfurt

PLANS to set up a plant in West Berlin to manufacture optical fibre for telecommunications cable appear to be increasingly in doubt.

The West German Cartel Office has confirmed its strong reservations about the project, which would be a joint venture of the country's five leading cable manufacturers.

The project involving investment of more than DM 100m ($36m) would bring together Siemens, PKI (a subsidiary of Philips of the Netherlands), AEG, Standard Elektrik Lorenz (a subsidiary of ITT of the U.S.) and Kabelmetal.

The Cartel Office has told the companies that approval for a joint venture might be more likely if fewer companies were involved. But the companies rejected the idea that any of them should withdraw.

The cartel authorities expect to make a final decision at the beginning of next month.

If the plan is rejected, the cable manufacturers could ask Count Otto Lambsdorff, the Federal Economics Minister to override the de-

Continued on Page 14

CONTENTS

International 2-4
Companies 15, 16
World Trade 5
Britain 6, 8, 9
Companies 18

Arts – Reviews 10
– World Guide 10
Commercial Law 32
Crossword 28
Currencies 32
Editorial comment 12

Eurobonds 15, 16
Financial Futures 32
Int. Capital Markets 15, 16
Letters 13
Lex 14
Lombard 13
Management 11
Market Monitors 26
Men and Matters 12
Money Markets 32
Stock markets – Bourses 26
– Wall St 24-26
– London 30, 31
Technology 23
Unit Trusts 28-29
Weather 14

UK public sector: miners give lead on pay 11

Eurobonds: U.S. threat to London's leadership 12

Management: employee participation 11

Technology: new window on computer-aided design ... 23

Editorial comment: Iran-Iraq war, UK education 12

Lex: inflation accounting problems 14

Lombard: market assesses inflation prospects 13

Turkey: Survey .... Section III

OVERSEAS NEWS

Compromise plan to end Moroccan debt dispute

By Peter Montagnon, Euromarkets Correspondent

Terms of Morocco's $530m (£381m) debt rescheduling have been sent to the country's 200 creditor banks alongside a compromise proposal to resolve the dispute as to whether the rescheduling should be guaranteed by its central bank.

The terms provide for an eight-year rescheduling of all the debt falling due in the final four months of last year and 90 per cent of the debt falling due in 1984. Repayments are due to begin after a grace period of three years.

Morocco will pay an interest margin of 1¾ per cent over London eurodollar rates on the rescheduled debt. There will be no margin over the more expensive U.S. prime rate and Morocco is not to seek any fresh money loan from its creditor banks.

At the core of the rescheduling proposal is an undertaking to be provided by Morocco's central bank that it will make foreign exchange available to Moroccan borrowers to service the rescheduled debt.

Savimbi frees UK captives

By Jim Jones in Johannesburg

Negotiations between Sir John Leahy, a senior Foreign Official, and Dr Jonas Savimbi, the leader of the Angolan rebel organisation, Unita, on the release of a group of Britons captured on February 27 in northern Angola, do not signify British recognition of Unita, Sir John said.

Sir John returned to Johannesburg yesterday from Unita's southern Angolan headquarters at Jamba accompanied by 16 Britons, one Yugoslav and the Portuguese wife of one of the Britons. He said that Dr Savimbi understood that the British Government's policy was only to recognise sovereign States. However, he said that he had discussed a wide range of Angolan, Namibian and Southern African topics with Dr Savimbi.

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China accuses Hong Kong group of trying to block agreement

BY MARK BAKER IN PEKING

CHINA has rebuked leading Hong Kong residents who are lobbying Britain for guarantees on the future independence of the colony.

The official Chinese news agency, Xinhua, has accused members of Hong Kong's Executive and Legislative Councils of trying to obstruct the conclusion of an agreement

In a statement issued last week, the predominantly ethnic Chinese unofficial (appointed) members of the two councils urged Britain to insist on a continuing role in Hong Kong after 1997 to ensure that its independent systems and lifestyle were maintained.

They said that most Hong Kong residents feared a return to Chinese rule and the Sino-British agreement would not be acceptable unless it spelled out safeguards.

"The statement is considered here an attempt to obstruct the conclusion of an agreement by the Chinese and British governments on the Hong Kong issue at an early date," Xinhua said.

"It is therefore detrimental to Hong Kong's stability and prosperity and runs counter to the views and wishes of Hong Kong compatriots."

The Chinese reaction is milder than expected. Peking's firm position in the past has been that the negotiations over Hong Kong are a matter for it and Britain alone, and it has frequently blamed Britain for criticisms emanating from Hong Kong.

But China cannot afford to react too harshly to the statement as it represents the view of some of the most influential Chinese in Hong Kong, people whom it must court if it is to maintain stability and confidence.

A nine-member delegation headed by the senior unofficial member of the Executive Council, Sir Sze-Yuen Chung, is now in London lobbying MPs. The House of Lords is scheduled to debate the Hong Kong issue next week.

● North Korea has pledged not to invade the south and has reaffirmed a commitment to negotiate reunification, according to Hu Yaobang, the general secretary of the Chinese Communist Party.

He said the North Korean leader, Mr Kim Il Sung, had told him that the country would "never do anything that might impede the stabilisation of the situation, still less intend to advance into the south."

"I think the alleged intention of the north to thrust south is sheer nonsense," Hu said on his return from a week-long visit to North Korea.

Tension rises sharply in Punjab

BY JOHN ELLIOTT IN NEW DELHI

TENSION in the northern Indian state of Punjab increased sharply over the weekend after Sikh terrorists assassinated a leading Punjab newspaper editor in the city of Jalandhar on Saturday. A few hours earlier a former head priest of the Sikh's central Amritsar church was also killed.

Mr Ramesh Chandar, editor in chief of the Hind Samachar group of papers, had published a strong editorial condemning the Sikh terrorists on Saturday morning, just before he was shot while travelling in a car with his family.

These were the first assassination's of prominent figures for more than a month when two politicians and a moderate Sikh leader were killed. Curfews were immediately imposed in Jalandhar, Amritsar and other cities and shoot-at-sight instructions issued to security forces.

The situation worsened briefly as Hindus reacted violently against the killing of Mr Chandar in Jalandhar and, later, there were outbreaks of Hindu violence in the neighbouring state of Haryana.

Mr Chandar's killing was a blow for the Government which was beginning to believe it was gradually getting the security situation under control. On Friday New Delhi announced it was releasing more than 170 Sikhs imprisoned for burning the Indian constitution in earlier demonstrations.

This was a major initiative aimed at paving the way for talks on the Punjab situation. It was also intended to strengthen the hand of Sant Harchand Singh Longowal, the moderate president of the Akali Dal Sikh political party.

Mr Chandar had been on the "hit list" of the Sikh terrorists. The Dashmesh Regiment, a students' terrorist organisation, claimed responsibility for the assassination and warned it would hand out similar treatment to other opponents.

Eighteen killed in Beirut shelling

BY NORA BOUSTANY IN BEIRUT

A WEEKEND of shelling in the Lebanese capital of Beirut has raised fresh doubts over the credibility of the country's new national unity Government. The outbreak, in which at least 18 civilians were killed, appeared to reflect sharp divisions within the Government on the future status and structure of the national army.

A relatively peaceful week that accompanied the first Cabinet meetings had triggered hopes of a possible resolution of Lebanon's religious and sectarian conflicts. But it was followed by a mad night of violence in neighbourhoods on both sides of the partitioned capital.

Most commentators agreed yesterday that the failure by the ministers to agree on changes in the army during Friday's cabinet session was the main reason behind the outburst. Former opposition Moslem and Druze ministers in the new cabinet are demanding that a six-man command council replace the traditionally all-powerful Christian commander-in-chief of the army.

Conservative Christian Cabinet members such as former President Camille Chamoun and Mr Pierre Gemayel, the head of the Phalange Party, insist that to give up such a perrogative would only be possible if the entire Lebanese system was secularised.

Mr Chamoun charged yesterday that Moslem and Druze gunners had started the fighting on Saturday and that the first shells crashed into mainly Christian East Beirut. Moslem religious leaders, however, accused Israel of masterminding the security setback to undermine efforts by Mr Rashid Karami, the Prime Minister, to steer Lebanon away from civil strife.

Mr Walid Jumblat, the Druze chieftain and Minister of Tourism, Transport and Public Works was quoted as saying yesterday that his participation in the Government did not mean he was ready to drop armed force as a mean to attain his goals.

OVERSEAS NEWS

Bid to relaunch WEU moves ahead

BY JOHN WYLES IN BRUSSELS

THE FRANCO-BELGIAN bid to transform the Western European Union into a "European pillar" within the Atlantic defence alliance has advanced with the virtual completion of a preparatory report for a vital meeting of the seven WEU Foreign Ministers next month.

The report has been agreed by the WEU Council, comprising the ambassadors to London and a senior Foreign Office official for the UK.

It aims at securing from the Ministers a clear decision as to whether or not they want to revive a largely defunct organisation and to use it as a vehicle for concerting their security and defence policies.

The report, it is understood, sets out some main themes that might be dealt with at twice yearly meetings of Foreign and possibly also Defence Ministers within the WEU.

The themes include analysis of, and reaction to, Soviet and Warsaw Pact politico-security moves; approaches to "out of area" issues important for European security, such as developments in the Middle East, the Gulf and North Africa; and problems between Europe and the U.S. within the Alliance.

The Foreign Ministers' meeting, originally scheduled for May 24, is now likely to take place in Paris on June 12. Since France currently occupies the presidency of the WEU Council, M Claud Cheysson, the External Affairs Minister, will take the chair.

The importance of the occasion is now making it a talking point in both Nato and the EEC. It is expected to be discussed within the Eurogroup of Nato Defence Ministers in Brussels tomorrow when representatives of the European countries not involved are expected to seek up to date information on the preparatory work.

This has not yet seriously delved into the many serious difficulties which are envisaged because security and defence co-ordination within the WEU would overlap with collaboration in Nato and political co-operation within the Community.

The WEU membership is made up of the EEC countries minus Ireland, Greece and Denmark.

If the Foreign Ministerial meeting does commit itself to relaunching the WEU, then the second phase of the operation would include detailed planning on how its various agencies and functions could be remodelled.

It has already been agreed in principle that the WEU's Armaments Control Agency would be relieved of its responsibility for monitoring West German arms production and force levels. But the prohibitions on German atomic, biological and chemical weapons production would remain.

The seven will have to soon consider whether or not it is possible to develop an arms control function for the WEU which does not arouse US suspicions of a European ambition for direct involvement in its nuclear arms control and reduction talks with the Soviet Union.

Effort to push joint European arms making

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

EUROPEAN Defence Ministers meet in Brussels tomorrow in an effort to inject new political impetus into the collaborative production of arms in Europe.

The Ministers, all from Nato countries, are also expected to endorse a joint European approach to the use of new technology on the battlefields of the future.

The Ministers are meeting as Nato's Euro Group, which comprises all major European members of Nato except France. Their deliberations are always carefully designed not to offend French sentiments nor to appear anti-American.

Both these concerns are likely to figure strongly in the way Mr Michael Heseltine, the British Defence Secretary who has just taken over as chairman of the group, conducts the one-day meeting.

However, it seems clear that the focus for the Ministers will be the desire to strengthen European defence operations in the face of U.S. pressure on such issues as the adoption of so-called emerging technologies (ET) to improve conventional weapons systems over the next decade.

There were suggestions in Whitehall at the weekend that Mr Heseltine is preparing to launch his own initiative on the issue in Brussels, though officials refused to give details. The Ministers are expected to endorse a resolution which stresses the need for governments to give more political impetus to joint European arms manufacture. The resolution also calls for practical steps such as the harmonisation of operational requirements of the national armed forces within Europe.

The resolution originated last month with the Independent European Programme Group, a body concerned with arms co-operation but formally divorced from Natio's military structure to allow it to include France.

At tomorrow's meeting, Ministers are also likely to endorse the IEPG's call for a joint European approach to "ET."

A key stage in the controversial U.S. drive to have Nato adopt an ET programme is likely to be reached on Wednesday. The full meeting of Nato's Defence Planning Council, which includes the U.S. and Canadian Defence Ministers as well as the Eurogroup members is likely to adopt a programme of priority development for seven out of a list of nearly a dozen ET weapons systems for deployment in the 1990s.

Games boycott campaign grows

MOSCOW—The state-controlled Soviet press yesterday stepped up its campaign of support for Moscow's boycott of the Olympics, reinforcing the view that the decision is final.

Newspapers and the news agency, Tass, quoted people ranging from a Congolese athlete in Brazzaville to a collective farm director in the western Ukraine who all backed the boycott, calling it "just" and "correct."

Pravda, the Communist Party newspaper, said President Reagan held the world record for hypocrisy because his latest assurances about security for Soviet athletes contained nothing new.

Brazilian money supply exceeds IMF targets

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE GROWTH of the money supply and monetary base in Brazil are exceeding the targets set by the International Monetary Fund by a wide margin. Booming exports and the Government's need to finance its large internal debt are both being blamed.

But the consequence of the overshoot is that Brazil is unlikely to meet several of its IMF performance targets for the first half of the year, and will therefore need to seek yet another "waiver" from M Jacques de Larosiere, the IMF's managing director.

A new letter of intent incorporating possible amended domestic monetary targets is believed to be already in preparation.

In April, according to preliminary figures leaked from the central bank, the monetary base grew by an enormous 17.4 per cent, against an agreed figure of 3 per cent. The previous month it had been the turn of the money supply indicator to overshoot wildly.

Central bank officials attempt to justify the April discrepancy by saying that the leaked figure referred only to the position on the last day of the month, and not to the daily average

Polish prisoners refuse freedom

By Christopher Bobinski in Warsaw

ELEVEN OF Poland's most prominent political prisoners, seven Solidarity leaders, and four members of the Kor dissident group awaiting trial for anti-government activity have refused an official offer of freedom in return for promises to shun political action for two and a half years.

The agreement, which had won the approval of the Solidarity underground leadership, would have included a promise to release the other 400 or so political prisoners in Poland before mid-July.

Patrick Cockburn looks at an ambitious pipeline plan to restore Baghdad's exports

Iraq battles to get the oil moving again

IN THE past two years the effects of economic attritioo oo Iraq have often seemed as dangerous as possible defeat on the battlefield. As Iraq steps up its attacks on oil tankers in the Gulf, the Government in Baghdad seems to be near success in reversing the long-term deterioration in its financial position brought on by the war.

The key to this change is Iraq's plen to increase its oil exports, currently 900,000 barrels a day (b/d) to bring them back to prewar levels. It wants to build e new pipeline through Saudi Arabia and Jordan, whicb sbould allow aghdad to export at least 2m b/d by 1986.

Exports at this level would reverse the trend which began in 1980 wben Iran destroyed Iraq's two main oil export terminals on the Gulf. Reserves were run down and beavy Arab subsidies lavished on large civilian projects in the expectation that the war would not last too long.

In 1982 the situation grew even worse when Syria closed down Iraq's pipeline across its territory, compelling the Iraqis to rely on a single pipeline through Turkey. By the end of that year Baghdad was forced to cut imports and look for credit.

Ayatollah Khomeini

Many of Iran's leaders argued tbat Iran's superior resources would give a decisive advantage in a long war and that the regime of President Saddam Hussein would buckle under the strain. But this has not happened.

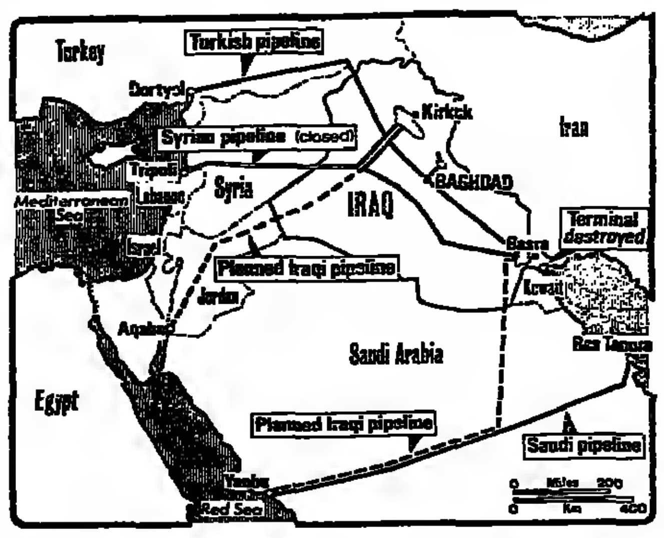
Iraq is in the process of expanding its pipeline across Turkey to carry 1m b/d by mid-summer, but the two new pipelines across Jordan and Saudi Arabia are the vital elements in Baghdad's plan to return to its old oil export levels.

Last month Iraq's Stete Organisation for Oil Projects (Scop), formally invited tenders from contracting companies to build a pipeline at top speed to link Iraq's southern oilfields with Saudi Arabia's East-West pipaline linking Saudi oilfields with the oil terminal at Yanbu on the Red Sea.

The pipeline across Saudi Arabia, with a capacity of 500,000 b/d, will be nearly 400 miles long. The tender document issued by Scop emphasises that e financial package "is a crucial and prerequisite requirement to participatioo" and asks for a reply by telex "due to the urgency of the subject."

Iraq wants the construction of the pipeline to be completed by next April. A second phase of the project, not be tendered for at the moment, is for the construction of a wholley separate pipeline from the oilfields in south Iraq to Yanbu. This will have a capacity of 1.6m b/d. The cost of both phases of the scheme is put at $2.5bn by the Middle East Economic Survey magazine.

Iraq is also raising the capacity of its pipeline across Turkey to the Mediterranean to 1m b/d by the middle of this summer. In the last year Iraq has also started to export by truck oil product from its newly completed refinery at Baiji, having previously been a net importer of products from Kuwait and Jordan.



Since the start of the war, Iraq has been under increasing financial pressure because of its low oil revenues, which peaked et $25bn a year in 1980. The world oil glut has also rednced the snbsidies which it receives from the Arab oil states.

Aid from Saudi Arebia and Kuwait is currently running at about $8bn a year, say diplomats. This includes some 330,000 b/d of oil given to Iraq to sell of which about 250,000 b/d comes from the Neutral Zone where production is shared by Saudi Arabia and Kuwait. The remainder of the crude comes from Saudi Arabia.

Iraq bas also come to rely on credit from Western Governments or packages arranged by companies doing business in Iraq. Last year Britain extended a credit package of £250m, none of which has yet been spent, to allow Iraq to continue to place orders with British companies.

Other EEC countries have also had to provide credit, France alone being owed $3bn for military and civil contracts. Overall, Iraq signed agreements to borrow some $7.5bn last year though much of this has not been spent.

Mucb of the Kuwaiti and Saudi aid going to Iraq is spent on purcheses of arms and ammunition from the Soviet Union, Baghdad's main military supplier. Moscow curtailed its supplies to Iraq at the start of the war and took a neutral stance in the conflict.

But over the last two years bilateral relations have steadily improved, as Ayatollah Khomeini stepped up his attacks on Soviet foreign policy and arrested the leaders of the local Communist Party. Early last month Iraq signed a protocol in Moscow to belp Iraq develop e new oilfield and build two new power atations.

With France also supplying 29 Mirage F-1s which also bave the capability of carrying Exocet missiles, Iraq can clearly obtain as much weaponry as it wants. It will need it.

Although there are those in Tehran wbo would like to end the war, its continuation ia at the heart of Ayatollah Khomeini's Islamic ideology.

T. Boone Pickens keeps the U.S. oil majors guessing

BY WILLIAM HALL IN NEW YORK

"HE MAKES no bones about it. He is going to go after another one, and I would not mind speculating that he will go for one just as big as Gulf Oil," says Dallas stockbroker Mr Alan Edgar in response to the question every U.S. oilman wants answered – where will T. Boone Pickens pounce next?

A year ago Gulf was the fifth biggest oil company in the U.S. and no one would have believed that the 55-year-old Mr Pickens and his Mesa Petroleum (92 in the U.S. oil company league table) could have toppled one of the "Seveo Sisters," the famous oil companies which not so long ago dominated the international oil business.

But he did, and last week Standard Oil Company of California, which came to its sister's rescue at the last moment, began paying $10.6bn to Gulf's 270,000 shareholders. Mr Pickens and his investor group have decided to wait until early June before they receive their $1.7bn but they are already planning how to spend their $760m profit from their nine-month pursuit of Gulf.

Since Mr Pickens started hunting Gulf, several possible takeover targets have fallen by the wayside. Texaco has paid $10.1bn for Getty Oil, Mobil is in the process of swallowing Superior Oil for $5.7bn and many companies have taken steps to insulate themselves from corporate predators, like Mr Pickens, by changing their bye-laws.

But Wall Street is convinced that Mr Pickens will soon return to the takeover trail, and that he is not going to concern himself with the oil patch's small fry. An enthusiastic quail hunter, be says: "Never shoot anything you can't eat."

For the less ambitious that might include companies like Texaco and Mobil. But this does not seem to be the case where Mr Pickens is concerned. Everybody agrees that Exxon, the world's biggest oil company, is out of his reach, but almost every other U.S. oil major appears to be fair game if you listen to the boys on Wall Street who, now that Gulf has gone, are looking forward to some fresh sport.

Mr Pickens believes that present oil prices do not justify an ambitious exploration programme. Mesa's exploration budget has been cut from over $400m in 1982 to $100m in the current year. Mr Pickens' view is that you can still drill much more profitably for oil on Wall Street.

These days Mesa is looked upon more as an investment bank than an oil company. Since it began taking positions in other oil companies a couple of years ago, it has netted its shareholders pre-tax profits of around $160m on more than half n dozen deals. Its latest coup will give it a further profit of slightly over $500m on its Gulf investment and, even after taxes, it will be able to bank around $300m, more than triple its 1983 net income from its oil business.

For Mesa's shareholders, whose shares are worth nearly the same as at the beginning of the battle for Gulf, the deal is worth about $4.50 per share, or the equivalent of finding e 50m barrel oil field – something, incidentally, that Mesa has never done.

For Mesa itself, the Gulf deal means that it is now essentially debt free, but Mesa is showing no signs of wanting to reduce its borrowings. Indeed, observers believe it would have little trouble in increasing its bank lines to around $2bn once it had a target in sight.

Although this is not enough to take over one of the remaining U.S. giants, Mr Pickens will not have so much difficulty drumming up financial support as he did in the early stages of the Gulf battle, when he recruited the help of some of the wealthiest investors in the U.S. They included Texas oil man Mr Cyril Wagner, private financier Mr Carl Lindner, and Canada's Belzberg family. Given his success, Mr Pickens' problem this time round could be in turning down would-be investors.

But the big question intriguing both the oil industry, which is feeling far more vulnerable to attack from Mr Pickens than it was a year ago, and Wall Street, which scents that the fun is far from over, is where will he strike next?

Mr Alan Edgar, of Dallas broker Schneider Bernet Hickman, who has been following Mr Pickens for more than a decade, says: "He is really after e 'big one.' He has the dollars – the problem now is how does he make e discreet investment before everyone finds out?"

Mr Edgar believes that Mesa is unlikely to take on Texaco, which only a few months ago paid the Bass brothers, one of the wealthiest families in Texas, $1.3bn to repurchase a 9.9 per cent stake in Texaco. However, he does not rule out the possibility that Mr Pickens might take on companies as big as Mobil or Occidental. Both have fewer friends among the institutional investment community than Gulf did, and both are noticeably less profitable than the industry average.

"If he gets into a 'big one,' the next question is who is going to bail him out?" says Mr Edgar. The number of potenbial "white knights" is diminishing and among the U.S. oil majors only Exxon, Standard Oil Company (Indiana), Atlantic Richfield and Mobil are considered candidates – and the last two could also be in need of a "white knight" at some stage. In common with many analysts, Mr Edgar believes that Mr Pickens, while professing a wish to successfully complete a big acquisition, does not want to spend his time restructuring a major oil company. Others can do that better than him.

Indeed, many in the industry wonder what Mr Pickens would do if an oil company made a serious bid for Mesa, which is currently capitalised at a little more than $1bn. After all, Mesa shareholders could argue with some force that it was about time that they shared in some of the action. Over the past nine months investors in Mesa shares have fared far worse than investors in other oil companies.

INDEPENDENT U.S. OIL MAJORS (1983)

	Revenues $ bn	Net income $ m	Return on equity	Mkt. cap. $ bn
Exxon	103.6	4,200	14.9	38.1
Mobil	59.0	1,503	10.8	12.9
Texaco	41.1	1,233	8.6	9.5
Amoco	29.4	1,868	15.7	16.6
Socal	28.4	1,590	11.6	13.4
Arco	25.9	1,548	14.9	12.7
Occidental	19.1	567	NA	3.0
Sun	15.5	453	8.7	6.8
Phillips	15.4	721	12.1	6.5
Unocal	10.7	626	12.6	6.6
Amerada Hess	8.4	205	NA	2.6
Industry Average			13.2	

WORLD TRADE

OVERSEAS NEWS

Takeover dampens fears of Japanese car threat to UK

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE THREAT that Japanese car makers might use their factories in Australia to circumvent restrictions on their sales to the UK seems to have subsided following Mitsubishi's disappointing experience.

Salea in Britain of cars shipped from Mitsubishi's Australian plant and sold with the Lonsdale badge have fallen far below expectation. And now the Lonsdala Car Company, previously independent, has been taken over by Colt Car Company in which Mitsubishi has a 49 per cent shareholding.

Some £200,000 was provided to start the UK exporting end of the Lonsdale business, most of which was put up by people in the motor trade with "offahore" funds who wished to remain anonymous. Mr Michael Or, formerly chairman of both Lonsdale and Colt, put up £10,000, or 5 per cent, through his personal pension fund, MP Executive Pension Fund.

Lonsdale hoped to sell 3,600 Australian cars last year but only 504 were registered. So far thia year another 273 have been sold.

The original plan was for Lonsdale to have its own network in Britain of 100 dealers but now the cars will be sold alongside Mitsubishi's Japanese vehicles at Colt outlets.

Mr Orr always insisted that the Lonsdale cars would have an 85 per cent Australian content, and there was no question that Japanese cars were finding their way into Britain by the back door.

However, both Nissan and Toyota have Australian assembly plants and were keeping a careful eye on the Lonsdale results to see if Australla might provide extra volume for their dealers in the UK. In Britain the Japanese share of the car market is held below 11 per cent by a gentleman's agreement between the industries.

The decision to buy-out Lonsdale is only part of a major shake-up of the Colt company following the unexpected departure in April of Mr Orr, one of the industry's more controversial figures, "to devote more of his time to family interests."

Mr Peter Beaumont, who left Colt suddenly during Mr Orr'a period as chairman but who has now returned as managing director, bas told dealers that the Mitsubishi name will be more prominently used in future and will ultimately displace tha Colt badge entirely.

He promised that Colt this year will spend £3.5m in above-the-line promotion, concentrating on tha idea that Mitsubishi leads the other Japanese companies in technology.

Gatt programme moving too slowly say ministers

BY NANCY DUNNE IN WASHINGTON

TRADE and finance ministers of 14 industrial and developing nations emerged from three days of meetings in Washington over the weekend, agreeing that the work programme begun in 1982 to improve the General Agreement on Tariffs and Trade (Gatt) is moving too slowly.

Sir Robert Muldoon, the Prime Minister of New Zealand as well as being the Finance Minister, said the officials were totally in agreement that there was "an inadequate input at tbe ministerial level" in efforts to move ahead on issues like agriculture export subsidies and the services sectors under the Gatt.

"What we've got is a political problem, and it can only be solved at the political level," Sir Robert declared.

Mr William Brock, the U.S. Trade Representative, who called tbe meeting "to gather our collective will to deal with our problems," said that the group bad agreed in advance to an unplanned agenda, no communique, and no final agreement.

However, after three days of intensive talks, described by Mr Brock as "the most constructive that I've participated in for three years," some consensus seemed to be building.

The ministers appeared to be in accord on the need to reverse the proliferation of non-tariff barriers and voluntary restraint agreements described by Mr Brock as "eating away at the root structure of Gatt."

The trade representatives said the officials had sought alternative solutions to the Gatt safeguards which permit "discriminatory" voluntary restraint agreements, so "we don't export our problems." The U.S. has been pressing for a new round of Gatt talks to begin in 1986 when improvements to the trading system could be instituted.

After discussing the world debt crisis with Mr Jacques Delarosiere, managing director of the IMF, support seemed to grow for a cap on interest rates for the heavily-indebted countries.

Mr Wilhelm Haferkamp, vice-chairman of the EEC, said that every percentage point increase in interest rates costs debtor nations $3.5bn to $4bn a year which cannot be compensated through trade measures. He said he supported an interest rate freeze.

Sir Robert said the cap is "one idea worth pursuing," along with several others including less severe conditionality on IMF loans, longer maturity, greater involvement by the World Bank and more discipline over exchange rates.

Worry over U.S. interest rates was general at the meeting and Mr Brock acknowledged that the U.S. budget deficit was "bad for the whole trading system." Governments had to reduce the drain on the capital pool, be said, and boost investment in developing countries.

SHIPPING REPORT

Europeans to meet Soviets over liner trade losses

BY LYNTON McLAIN

SHIPPING conferences in the East Africa and Far East liner trades are to meet Soviet shipping companies in the coming weeks to discuss the "special problems" of thesa two routes and the "permanent loss" of cargo by western European shipping companies.

This was announced by the UK Transport Department at the weekend after Ministers in charge of shipping in Belgium, France, Germany, the Netherlands and the UK had followed "with grave concern the cross-trade activities and practices of Soviet shipping companies in liner trades."

It was these problems that had led to a permanent loss of cargo according to the Department.

Ministers attributed "great significance" to tho meetings and expressed hopes that satisfactory agreements for western shipping companies will be reached.

The Transport Department warned that if it was not possible to reach agreement, the Ministers of Transport will "at short notice" consult each other over further steps to safeguard the "legitimate shipping interests of their countries."

● In the crude oil tanker market, another unnamed vessel loading at Kharg Island in the Gulf was reported hit by a missile and set ablaze, this time with loss of life, according to shipbrokers E. A. Gibson.

The vessel was a 120,000-ton tanker and the incident "has made many tanker owners rethink their attitude towards loading at Kharg Island," the company said.

The additional war risk premium was increased last week to 2 per cent and crew life assurance premiums olso increased as a result of the continued tension and attacks in the area.

No new loadings at Kharg Island were reported after the vessel was bit last week.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (U.S.$m)

	Mar. '84	Feb. '84	Jan. '84	Mar. '83
U.S.	6,817	6,677	6,295	8,601
Japan	20,921	20,837	20,669	19,799
W. Germany	40,864	39,890	37,152	43,924
UK	8,788	9,095	8,529	8,660
Belgium	3,662	4,152	3,632	3,794
Italy	17,345	17,998	17,913	12,767
Netherlands	9,387	8,866	8,438	9,179
	Feb. '84	Jan. '84	Dec. '83	Feb. '83
France	17,505	17,695	18,057	15,291

Source: IMF

William Hall in New York on a U.S. bank's battle to restore confidence in itself

Continental Illinois fights off the doubters

THERE is an unwritten rule in the banking community that however bad a bank's financial problems, the last thing the chairman abould do is to issue a formal denial of rumours circulating in the financial markets.

But last Thursday, Mr David Taylor, the chairman of Continental Illinois, the eighth biggest U.S. bank, did just that.

The fact that the 54-year-old David Taylor, who took over as chairman less than three weeks ago, felt it necessary to take this exceptional action to squash wild rumours which he dismissed as "completely unfounded and not worthy of serious news consideration" underlines the difficult situation Chicago's biggest bank now faces, as it battles to restore confidence in itself after a week of speculation which endangered its ability to fund itself in the world'a money markets.

The rumours have been particularly worrying for the U.S. bank regulators. For historical reasons Continental Illinois is much more reliant on the volatile wholesale money markets for funds than most other U.S. banks, and it is also one of the biggest U.S. operators in foreign money markets. As its problems have mounted Continental has turned increasingly to the international markets for funds with the result that $18bn or close to two thirds of its deposits now comes from overseas. They are being used to finance a largely domestic loan portfolio.

U.S. bank regulators are acutely aware that Continental Illinois' difficulties, if they are mishandled, could seriously damage the liquidity of both the domestic and international money markets. This would bave serious implications for most of the multinational U.S. banks, which rely heavily on these markets.

Furthermore, the recent sharp run-up in interest rates is generally bad news for America's financial institutions and is once again focussing international attention on possible weak links in the U.S. banking system.

These concerns explain why early last Thursday, the comptroller of the currency, one of the main U.S. bank regulators, bad taken the unprecedented step of commenting about an individual member of his flock.

"A number of rumours concerning Continental Illinois National Bank and Trust Company bave caused some concern in the financial markets," said the statement.

The comptroller'a office, it went on, "is not aware of any significant changes in the bank's operations as reflected in its published financial statements that would serve as a basis for these rumours." The comptroller'a statement detailed Continental's capital strength and noted that its ratios "compare favourably to those of any major multinational bank."

The financial markets have been aware of Continental Illinois' problems for some months. Its over-aggressive pursuit of energy lending culminating in its involvement with the ill-fated Penn Square Bank which collapsed in July, 1982, has saddled it with a massive $2.3bn (£1.7bn) burden of non-performing loans. This is reckoned to have cut the bank's net income by two-thirds, or $200m last year.

The group's share price bas been signaling the markets' unease for some time, dropping from $21⅞ at the start of the year to $12 on Thursday night. By the end of the week the shares had recovered to $13⅞, but this is still close to 20 per cent below the levels plumbed in the immediate aftermath of the Penn Square fiasco when questions about the soundness of specific U.S. commercial banks were being asked in the world's money markets.

Tbe fact that the stock market is valuing Continental Illinois, which has shareholders funds of over $1.8bn, at little more than $500m, is evidence of the very real doubts some investors bave about a bank which only three years ago was regarded as one of the best managed and most profitabile banks in the U.S. — "the Morgan of the mid-west."

Since the Penn Square closure on July 5 1982 there has bardly been any good news coming out of the Chicago Bank. Its name has been linked to many of the casualties in the corporate sector and it has become embroiled in dozens of law suits. Despite charging off nearly $900m of loans since mid-1982, the group's non-performing loans continue to rise and at $2.3bn, now represent 7.7 per cent of the loan portfolio.

Tbe cost of carrying these non-performing loans is weighing heavily on the group's profitability. Last year Continental earned $108m but the figures were belped by more than $100m of pre-tax gains, two-thirds of which reflected gains on the sale of equity investments. In the first qoarter of the current year, Continental earned $29m, after crediting pre-tax gains of $157m on the sale of its credit card operation.

The bank, which only a few years ago prided itself on being the biggest corporate lender in the U.S., has shrunk its balance sheet by $7bn since its problems began and sbed over 1,000 staff. Many of its best executives are spending their time on "work-out" duties, trying to recover Continental's money.

Its senior management team has been completely recast. Mr Roger Anderson, Mr John Perkins and Mr Don Miller, one of the best known triumvirates running a major U.S. money centre bank during the last decade, have stepped down and been replaced by Mr Taylor and the 50 year old Mr Ed Bottum, who takes over as president, and is responsible for cleaning up the group's balance sheet.

Mr David G. Tayler—denied the rumours

There has been some criticism that Mr Taylor'a lack of lending experience (be bas always concentrated on the bank's liability side), puts him at a disadvantage in leading Continental Illinois out of its problems. But most Wall Street analysts believe that given the circumstances Continental Illinois would be bard pressed to find two better executives to bead the bank.

"If we were a manufacturing company and could restate our accounts, we would show you our "discontinued operations" and our "on-going" operations, and the latter would demonstrate our tremendous "earnings franchise" Mr Taylor said recently.

"Between non-performing credits and loss provisions, we are carrying close to a $590m pre-tax drag on earnings," be says. Given that Continental made pre-tax profits of $118.4m in 1983, this implies a tremendous recovery potential.

The ease with which the bank sold off its credit card operations earlier this year and the sums of money raised reassured many Wall Street analysts who believe that Continental has other assets which it could dispose of, if necessary.

Although the recent rise in interest rates is likely tn delay the recovery of some of Continental Illinoi's problem loans and also increase its cost of funds, most bankers believe that given time Continental Illinois should be able to trade its way back to financial health. However, if rumours like those sweeping the U.S. financial markets last week persist, Continental's ability to fund itself and its subsequent recovery will be jeopardised.

WORLD TRADE NEWS

Nato broadens choice for its next generation of satellites

BY PETER MARSH IN LONDON

NATO is evaluating rival British and American designs for the organisation's next generation of communications satellites, due to be placed in orbit in the early 1990s and to cost an estimated £160m.

Officials are awaiting the outcome of this week's three-day meeting of Nato ministers before starting in earnest on the joh of choosing between the two designs.

The meeting, which begins tomorrow, is expected to agree a ceiling on the cash thet Nato plans to spend between 1985 and 1990 nn military infrastructure, such as communications systems.

The exact sum that the ministers will be talking about is secret, according to a Nato spokesman.

The current evaluation represents the first time that Neto has considered the selection of anything other than an American satellite. The organisation's first five communications vehicles, of which three are still in operation, were all built by Ford Aerospace of the U.S.

The three operational space vehicles, launched between 1976 and 1978, are to be joined by a fourth member of the same series, which is to be put into orbit this autumn.

The satellites, which relay data and voice messages between Nato bases and government offices in Europe, hover 36,000 km above the Atlantic at a longitude of 18 deg W.

For its new spacecraft, Nato will instruct either the British or U.S. governments to procure the hardware. This is instead of ordering the vehicles from individual companies.

As a further departure, the new hardware will be based on existing satellites. For its first batch of satellites, Nato asked companies to submit new designs, which, it says, pushed up project costs.

The bids by the two governments are based oo the Skynet-4 satellites, built by British Aerospace and Marconi, and the third generation of Defence Satellite Communications Satellites (DSCS-3) that General Electric is constructing.

The UK's Ministry of Defence has ordered two Skynet satellites. American space shuttles will launch the craft in 1985 and 1986.

Meanwhile, General Electric is constructing seven DSCS-3 vehicles for the U.S. Department of Defense. Six of these will enter orbit, at four points of the equator to cover the Atlantic, Indian and east and west Pacific oceans. The remaining craft will act as a ground spare.

The DSCS-3 satellites, of which just one has been launched, will gradually replace the DSCS-2 military vehicles built by TRW. The U.S. has so far launched 15 DSCS-2 craft.

Like the Skynet craft, the DSCS-3 vehicles are "hardened" to survive the radiation produced by any nuclear explosions at ground level.

They can relay communications traffic that "hops" between different frequencies at thousands of times a second in a technique to counter attempts nt jamming.

Nato says it will require either two Skynet vehicles or n half share in two DSCS-3 craft. Communications equipment on the other "halves" would be used solely by American forces.

The cost of both options is roughly the same, representing the higher communications capacity of the DSCS-3 craft.

Participants in the negotiations have not disclosed the cost of the satellites. Industry estimates put the price of two Skynet vehicles at about £160m.

The Skynet satellites for the UK Ministry of Defence will be launched with the help of British astronauts who will accompany the vehicles into orbit. The vehicles, both of which will be above the Atlantic, will provide communcations links between British forces in Europe and North and South America, including the Falklands.

The biggest user of satellites will be Britain's Royal Navy. Over the next few years, engineers will equip about 50 ships to transmit and receive information with the Skynet-4 craft.

The Royal Navy now relies for communcations links mainly on conventional high-frequency radio or on U.S. military satellites, such as the DSCS-2 series.

A third option is to use Britain's sole existing military satellite, Skynet 2B, launched in 1974 above the Indian Ocean.

But the orbit of the vehicle has become irregular so that ground controllers can never be quite sure where it is.

The hardware's position makes it of only minor use to Britain's forces which are predominantly in the Atlantic region.

The new Skynet vehicles will open up opportunities for Britain's ground forces. The satellites will have beams powerful enough to be received by small "dish" aerials of as little as 1 metre in diameter.

UK NEWS

Drive for new defence policy

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

Mr Heseltine: more competition in defence contracts

MR MICHAEL HESELTINE, the Defence Secretary, is expected to reveal further details of a "major drive" by his ministry to promote competition in defeoce wben the defence white paper is published later today.

The annual white paper is expected to contain the fullest statement so far of the Ministry of Defence's policy to apply competition to the "full range" of its activities.

An outline of the new policies, which have been introduced over the last year, was given recently by Mr John Lee, a junior defence minister, in answer to a parliamentary question.

Terms for major contractors will be toughened, with the requirement that they should in turn introduce competition in sub-contracts on defence equipment. Prime contractors will not to future eutomatically be given production as well as development contracts, while major defence companies will increasingly be brought into the early stages of planning for new weapons systems in an effort to increase efficiency.

The Government also intends to introduce competition in support, supply, and maintenance services for the armed forces. Competition will be "progressively extended in ship refitting, supply arrangements for non-warlike stores, aircraft servicing and army equipment repair and movements," Mr Lee said.

However today's white paper, which is an annual survey of the whole range of defence activities, will not announce decisions on the controversial reorganisation of the ministry which Mr Heseltine announced in March.

Neither is it expected to detail decisions on the reorganisation of the procurement executives which this year will huy nearly £8bn of defence equipment, nr on how resources might be shifted from the army's support services to the front line. Studies on these issues are to be completed later this year.

Mr Heseltine's reorganisation, which promises to cut hack the power of the three armed service chiefs radically, will be the subject of a separate white paper in July. Decisions on procurement, on army support services and nther matters are to be announced later. Mr Heseltine hopes that his central reforms of the defence ministry will take effect on January 1 1985.

Miners likely to boost power station pickets

BY DAVID GOODHART, LABOUR STAFF

THE LEADERSHIP of the National Union of Mineworkers (NUM) is this week expected to switch the focus of its dispute with the National Coal Board (NCB) to Britain's power statinns.

An escalation of ugly scenes on power station picket lines is likely, especially as all the unions in the electricity supply industry are pledged to continue working and even to cross picket lines if necessary.

Yesterday 32 Kent miners were arrested when about 250 pickets tried to stop a tanker unloading 2,000 tonnes of oil at Ramsgate harbour. The oil was bound for the nearly Richborough power station.

The switch to the power stations was discussed at the last meeting between the NUM and the main transport unions on Friday and was emphasised at the weekend by Mr Eric Clarke, the Scottish miners' secretary. He told a rally in Kirkcaldy: "The rail unions and the Transport and General Workers will be called nn to escalate the force of the strike in relation to power stations." He edded that the main target would be oil-fired power stations.

The switch in tactics coincides with a more open odmission from Mr Arthur Scargill, NUM president, that the Central Electricity Generating Board (CEGB) stocks are still considerabla and thet stopping the Nottinghamshire pits – where most miners are continuing to work – may take some time.

He told n rally at the weekend that the CEGB hod just over 17m tonnes left, which is only about 3m tonnes less than the CEGB claims. Mr Scargill said that would be no more than eight weeks supply on normal usage hut added: "The only reason why they can continue to operate is because our colleagues in Nottinghamshire continue to work."

In another attempt to shame the Nottinghamshire men into striking, today will see the biggest single demonstration since the dispute began io Mansfield lo Nottinghamshire.

Some anxiety is being expressed by the Police Federation, the main organisation for officers below the rank of superintendent, about the use of roadblocks to stop miners picketing. Inspector Bob Lax, spokesman for the South Yorkshire Federation, said that roadblocks could be illegal.

Mr Joho Lyons, general secretary of the Electrical Power Engineers' Association which represents top management and engineering grades in power stations, said last night that he expected more attention on the power stations this week but that his members would continue working.

Coal imports forecast to rise

BY MAURICE SAMUELSON

BRITAIN COULD be importing up to 30m tonnes of coal a year by the end of the century – more than seven times the present quantity – says a report published in London today.

It wants the electricity industry to be less dependent on the British coal industry. It says the Government should encourage an expansion of port facilities to handle large coal vessels and for new coal-fired power stations to be built on the coast.

The report, "Coal's Cootribution to UK Self-Sufficiency," is part of a series on UK fuel markets being published jointly by the Policy Studies Institute and the Royal Institute of International Affairs.

The author, Mr Louis Turner, is a research fellow at the Loodon Business School. He says there are "positive reasons of a security and anti-monopolistic nature" for keeping open the option of coal imports to Britain.

He believes that by the year 2,000 imports of up to 30m tonnes a year could provide cheaper energy than corresponding domestic coal output.

While regarding the core of the British coal industry as competitive with imports under most forecasts, be says there is "a significant tranche" of British coal which would be vulnerable to imports under these three conditions:

- If operating costs rose significantly faster than international prices.
- If costs of transporting coal were reduced by a switch to larger coal carriers, by the development of large volume import terminals in the UK, or a gradual relocation of key coal-using plant towards the coast.
- If the value of sterling increased relative to the currencies of the exporting countries.

Bigger coal imports, Mr Turner says, would help to keep the British coal industry "on its toes" and would give the electricity industry more flexibility, "should a body like the National Union of Mineworkers try to hold the country to ransom."

Mr Turner believes that even if the NCB succeeded in its first priority of getting its finances on a proper footing there will still be a role for imports and the Central Electricity Generating Board (CEGB) should be encouraged to keep its supply options open.

Coal's Contribution to UK Self Sufficiency, by Louis Turner, Heinemann Educationnl Books, 22 Bedford Sq, London WC1. £4.50 plus postage nnd packing.

Talks at BL expected over Montego dispute

BY OUR LABOUR STAFF

TALKS are expected early this week between BL management and unions in an attempt to end the strike at the Cowley plant, Oxford, which halted production of the oew Montego model last Thursday and Friday.

The dispute began wheo about 40 assembly workers walked out on Thursday complaining of low bonuses. It has cost about 800 cars with a showroom value of £5m and, if it drags on, the company believes customer confidence will be destroyed just when BL is striving to break the Ford Sierra/Vauxhall Cavalier domination of the company fleet car market.

BL says the relatively low bonuses at Cowley – about £17 a week – have been caused by disputes at the plant. Workers at the Swindon factory are regularly earning £27 a week because of uninterrupted production.

However, the big problem looming at Cowley is the unions' refusal to agree to three-shift working, which the company Insists is vital for the future model launch programme. The management, after weeks of talks, has warned that it may impose the changes unilaterally. All 4,500 body plant workers at Cowley are due to meet on Wednesday to decide how to oppese the changes.

Mr David Buckle, the Transport and General Workers Unlon district officer, said at the weekend: "Our criticism of the company is that it is so production-oriented, and so unwilling to run the company with any element of consensus, that there is bound to be dissatisfaction."

Britoil submits Deveron plan

Financial Times Reporter

BRITOIL, the previously state-controlled oil company, has submitted to the Energy Department a draft plan for developing the small Deveron field in the North Sea.

The field, lying in block 211/18A west of the Thistle field, is expected to yield total reserves of around 14m barrels of oil, less than 2m tonnes.

Britoil, which will operate the field, says that since the field is close to the Thistle platform, It could he developed from existing facilities.

Production of crude is planned for the last quarter of this year at an initial rate of 6,000 barrels a day. Britoil's partners in Deveron are Burmah Oil Exploration; Charterhouse Petroleum Development; Deminex UK Oil and Gas; Sante Fe Minerals; Tricentrol Exploration and British National Oil Corporation.

Car sales forecast raised to 1.79m

By Kenneth Gooding, Motor Industry Correspondent

THE BRITISH motor industry has upgraded its nfficial forecast of new car sales in 1984 and now believes they will match last year's record 1.79m.

At the end of last year the Society nf Motor Manufacturers and Traders estimated the 1984 car market would be 1.73m. This was looked nn as optimistic hy some individual manufacturers.

By February the forecast had been lifted to 1.75m. It has been moved up again after the decision by Fnrd to re-enter the car price war by offering its dealers extra bonuses and other incentives.

The society's forecasts are important because they are used by the Japanese Automohile Manufacturers Association when fixing shipments to the UK. Under the terms of the gentleman's agreement between the society and JAMA the Japanese share nf the new car market is held below 11 per cent.

This year, however, the Japanese car importers are experiencing exteme difficulty in keeping up with their allocations. They are among the "losers" in the price war so far, with a market share down this year to 8.4 per cent by the end of April against 9.1 per cent at the same stage nf 1983.

The SMMT has also slightly increased its forecast of total commercial vehicle sales in 1984. It now expects the total to rise by 6 per cent from last year's 267,837 to 283,000.

● Texaco today becomes the latest of the large oil companies to launch a major national forecourt promotion campaign.

Left-wing unions to campaign against no-strike agreements

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADE UNION resistance to the increasing trend towards no-strike deals received its most public boost so far yesterday in a scathing attack on "new realism" and no-disruption agreements by Mr Tnm Sawyer, deputy general secretary of the left-led National Union of Public Employees.

Left-wing trade unionists are planning a campaign against no-strike deals with the aim of committing the annual TUC Congress in September to a policy of npposition to them. TUC leaders feel that sucb a decision would be embarrassing to the movement, since they think it wnuld be widely ignored by those unions interested in signing such agreements.

In a rousing speech to the NUPE annual conference in Bournemouth Mr Sawyer said: "The only thing you have got to be to sign a no-strike agreement is a bloody fool."

It was nnt just the Government which believed that democracy started and ended at the hallot box. "We have got some of them in our own ranks," Mr Sawyer said. "They are the people who want to sign no-strike deals nr no-disruption agreements.

"It's the same people who want no political trade unionism. They call themselves new realists." Mr Sawyer's remarks were takeo as a thinly veiled attack on unions like the electricians' which has signed no-strike deals with a number nf Japanese new technology companies, and the Civil and Puhlic Services Association, which was active in offering a no-disruption agreement over the Government's trade union ban at its Cheltenham communications centre.

Mr Sawyer said unions in favour of such deals wanted to keep the workers in their place. "There is nothing realistic about going on your knees in front of the employer. You don't have to be a realist to grovel to the boss."

He went on: "I don't call it new realism – I call it old dealism." It was propounded by the sort of people who wanted to do deals behind closed doors with the Government, whether Labour or Conservative.

Instead of this so-called oew realism, Mr Sawyer said what was wanted was "strong independent trade unionism, with nrganised, educated members ready to fight for their rights and to take action when it's time.

"We want to be professional. We want to be more efficient. We want to give a good service to nur members – but nnt at the price nf democracy."

What the union movement did not want was services offered in a "slick, sharp way – in terms of technique as though they were selling insurance policies. What we want is a tough, tested and reliable nld-fashinned approach – it's called trade union solidarity," he said.

Civil engineering orders rise

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

CIVIL engineering workloads are picking up, according to a survey from the Federatinn nf Civil Engineering Contractors published today.

The survey shows a "modest" improvement in the state of order books, stemming largely from the healthier position of smaller companies employing fewer than 500 people.

The nrder position of larger companies (employing from 500 to more than 1,000 people) is also better than a year ago. But the survey says the overall picture is gloomy and "firms remain very pessimistic on prospects."

One prohlem is that although small companies are benefiting from a seasonal increase in the number of small nrders placed by public sector clients before the end of the financial year, the larger companies are receiving fewer orders to tender. They are finding tender lists longer and the value of contracts lower.

The survey also shows that the decline in employment in the industry is slowing, with both small and large companies employing more people than they did 12 months ago.

But the report says "levels of employment in the industry remain depressed and, on halance, in decline." The fact that some companies are recruiting operatives is "an encouraging sign but one which must be jeopardised by the poor prospects for orders."

The survey concludes that "the fall in the number and value nf tenders throughout the industry is of particular significance given the pessimistic outlook for new orders and employment levels.

Personal bank loans continue to grow

By Our Financial Staff

ADVANCES to the personal sector accounted for virtually all the increases in the London clearing hanks' lending last year, and meant that for the second year running they lent more to individuals than to business. Personal sector advances rose £6.3bn to £32.6bn. Loans to industrial and commercial companies fell £3bn to £20.6bn.

These figures are contained in a new abstract of banking statistics put nut by the Committee of London Clearing Bankers which it intends to update annually. The abstract lists detailed information about the banks' halance sheets, lending, infrastructure, employment, credit cards and clearing, some of it taken from the banks' own accounts, and some specially collated hy the CLCB.

The statistics also show that the big UK clearers continued to increase their mortgage lending sharply last year, despite accusations that they had pulled out of the home loan market. Tntal loans outstanding for house purchase, including hridging finance and home improvements, rose £2.8hn to £10.7bn though this was lower than the £4.1hn increase in 1982.

The big London clearing banks installed 1,092 cash dispensers and automatic tellers – the largest number in a single year – hringing their total to 4,389.

Lloyds has the most with 1535, followed by NatWest with 1304, Midland with 703, Barclays with 683 and Williams and Glyn's with 164. The volume of transactions passing through them totalled 168.6m and the total value of cash withdrawals was £4.7bn.

CALL TO CHAMPION EUROPEAN TIES

SDP leader urges new public service pay body

BY PETER RIDDELL, POLITICAL EDITOR

A SINGLE new pay review body should be set up for the public services, Dr David Owen, the leader of the Social Democratic Party (SDP) urged yesterday at the end of the two-day meeting in Edinburgh of the Council for Social Democracy, the party's 400-strong policy-making body.

During a radin interview Dr Owen highlighted public sector pay as one of the major immediate problems for the Government.

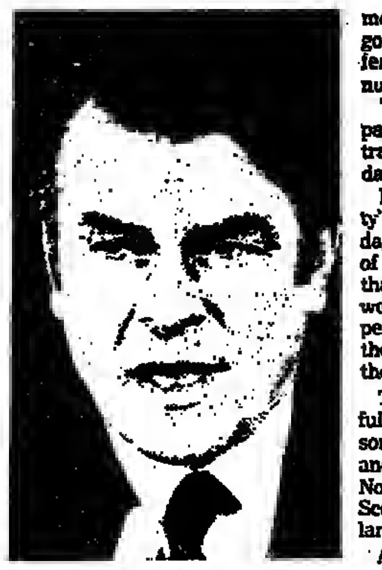
He said that there was an urgent need for a single comparability body, with an agreed arhitration mechanism, to replace the separate bodies for the armed services, the nurses, and for those on top salaries.

Dr Owen believes that instead of the present procedures, whereby arbitrators often split the difference between employer and employee, there should be a switch to a "pendular" system of arbitration. Under this procedure an arbitrator would decide in favour of one side or annther.

His remarks partly reflect the experience in a Toshiba plant in his Plymouth Devooport constituency in the West Country. He still believes that an inflation tax should be availahle as a reserve power.

Apart from yesterday's debate on the mining dispute, the Edinburgh meeting was generally low key and was used hy the leadership to promnte the SDP Liberal Alliance's campaign for the European Assemhly electinns on June 14.

The Alliance manifesto, entitled "We'll Get Europe Working Together," will formally be launched this morning at a series of press conferences throughout Britain.



Dr David Owen

The manifesto stresses cooperation within the EEC for economic and industrial recovery. In his main address on Saturday, Dr Owen said the SDP should "not be afraid to champion its Europeanism. Internationalism is the deepest strand running through our party."

Dr Owen also emphasised the need to achieve strong conventional European defence in order to permit less reliance on nuclear weapons.

He renewed his opposition to the Trident missile system hut warned that "As much as I would like to see savings from cancelling Trident going into the health service, social services and helping unemployment, a substantial part of it must go on improving conventional defences so that we are not reliant on nucleor weepons.

The SDF leadership is placing particular emphasis on trying to ottract disillusioned Tory voters in dairy farming areas.

Mr Robert Maclennan, the party's agriculture spokesman, yesterday said the SDP's proposed system of tradeable quotas would ensure that farmer's assets and incomes were not expropriated without compensation which is effectively what the Government had inflicted upon the milk producer.

The Alliance leadership is hopeful of doing well, possibly winning some rural seats such as Plymouth and Cornwall, North Wales, Northumbria, Dorset, north-east Scotland and the Highlands and Islands.

A poteotial division of opinion between the leadership and some of the rank and file over the visit to London next month nf Mr P. W. Botha, the South African Prime Minister, was avoided yesterday because there was insufficient time for the emergency motion to be dehated.

The general mood was more self-confident than the other two councils since the general election in view of the Alliance's recent election successes.

There were, however, mutterings of discontent that the leadership was out of touch. For instance, the council passed a motion regretting that it had not been consulted about the details of the European proposals before they were agreed with the Liberals.

By-election nominations hastened

BY OUR POLITICAL EDITOR

THE SELECTION of candidates for the forthcoming Portsmouth South hy-election is being accelerated in response to speculation that the Government may choose to hold the contest oo June 14, the day of the European Assemhly elections.

The hy-election has been caused hy the death a week ago of Mr Ralph Bonner Pink, who held the seat for the Tories at the general election last June with a majoritiy of over 12,000 ahead of the Social Democratic Party (SPD).

Some Alliance leaders believe that the Conservatives may want to rush the hy-election to prevent the Alliance from huilding up momentum, especially in view of the SPD's strong second place in the recent Stafford by-election, a hroadly comparahle seat.

The SPD has set Wednesday as the closing date for the oomination of possihle candidates. Mr William Rodgers, one of the SPD's founding "Gang of Four," said at the weekend that, after lengthy consideration in the last few days, he was "very unlikely" to put his name forward.

One or two of the party's other national figures are also thinking about standing. But the SPD candidate looks almost certain to be Mr Michael Hancock, a local SPD councillor who fought the seat last June.

Conservative Party leaders were consulting over the weekend with local party officers about a possible date. June 14 might be regarded as rushing the election in view of how recently Mr Pink died. Similarly, a later date in July might be difficult in view of the large holiday trade in the Southsea resort part of the constituency.

Mrs Shirley Williams, the SPD's president, said at the meeting of the Council for Social Democracy in Edinburgh yesterday that, if the hy-election was called for June 14 to coincide with the European elections, "it will be a deliberate ottempt by the Thatcber Government to cheat the electorate of that city of a proper political debate. It would shorten the election process drastically, distract voters from the issues of Europe, and confuse domestic and European politics."

UK NEWS

Europe urged to diversify its types of reactor

BY MAURICE SAMUELSON

BRITAIN'S nuclear power industry should continue to concentrate on gas-cooled reactors to prevent Europe becoming too reliant on the pressurised water (PWR) type being proposed at Sizewell, Suffolk, says a report on European energy strategy published today.

Its authors, the House of Lords select committee on the European Communities, say that unless the UK continues with gas-cooled technology most, if not all, future nuclear reactors in the EEC would be PWRs.

They add: "This could have one grave disadvantage. If PWRs should develop a serious fault, or if even one PWR should have an accident, public opinion might swing against the nuclear energy programme in general."

Urging that member countries should have more than one reactor type, they say that the only proved non-water alternative is the advanced gas-cooled reactor (AGR) at Hinkley Point, Somerset, which is now "a model of efficiency."

The report's conclusions follow the statement by Sir Walter Marshall, chairman of the Central Electricity Generating Board, that the board would propose to build an AGR power station at Sizewell, if its bid to build a PWR there was rejected.

Lord Kearton said yesterday that the AGRs at Hinkley Point and at Hunterston, Scotland, were "probably the best nuclear stations in the world," while those at Heysham II, Lancashire, and Torness, Scotland, were being built to time and below budgeted cost.

He said that although the Sizewell PWR was estimated to be 10 to 15 per cent cheaper than an AGR, the costs of the AGRs were known. But those of Britain's first PWR could turn out to be higher, since they were only estimates.

The Lords committee believes that a mixture of reactor types in Western Europe will help to ensure that the nuclear programme will not be adversely hit by a swing in public opinion if PWRs should develop a serious fault "or if even one PWR should have an accident."

That would also lead to the contraction of the European nuclear construction industry whose future, the committee says, must be safeguarded.

For the same reasons, it wants the EEC Commission to offer public opinion an authoritative assessment of the safety and environmental risks of nuclear power compared with the corresponding risks from other forms of energy.

Referring to the growing impact of environmental issues on energy decisions, it says that sometimes public concern – "well intentioned but not always well informed" – leads to regulatory action before the relevant facts have been established. An example of this was the proposed EEC Commission directive on sulphur emissions from coal-fired power stations which was intended to placate anxiety over "acid rain."

On overall EEC energy strategy, the committee believes that the EEC's future energy needs will be met by nuclear power and coal together. But although the EEC Commission gives coal a major importance, it looks to cheap imported coal – up to 250m tonnes a year – as having a key role.

The Lords committee believes this could be dangerous, even though the coal producers are unlikely to form a cartel like that of the oil exporters. It therefore wants greater encouragement of profitable home coal production, especially in the UK.

European Community Energy Strategy and Objectives, House of Lords select committee on the European Communities; (Stationery Office); £7.45.

Improved risk study sought for Sizewell

Financial Times Reporter

THE UK nuclear safety watchdog is calling for better assessments of the risk of a major accident at the proposed Sizewell B nuclear power station in Suffolk.

The Nuclear Installations Inspectorate, which is dissatisfied with many aspects of the design of the planned pressurised water reactor (PWR), wants improved studies of risk before it will accept the nuclear industry forecasts already put forward.

The inspectorate will not use the absence of the improved studies to prevent a decision in favour of licensing the plant.

The inspectorate's latest position is disclosed in a new review document submitted to the Sizewell B public inquiry at the end of its first week after an Easter recess.

The week was dominated by the cross examination of Dr John Gittus, the UK Atomic Energy Authority's PWR safety research programme director. Dr Gittus told the inquiry it was his judgment that the risk of a serious accident at Sizewell B, involving deaths and evacuation, was about one in 100m years of reactor operation.

BBC plans meeting over satellite TV

BY RAYMOND SNODDY

THE BBC will today call a meeting with the Independent Broadcasting Authority (IBA) and the Independent Television Companies Association to start planning how direct satellite broadcasting (DBS) in the UK is to be implemented.

The aim of the meeting, probably later this week, will be to try to set up an interim structure for a joint venture organisation, and to make some progress while new partners for the £400m venture are sought.

Last week Mr Leon Brittan, the Home Secretary, confirmed that the BBC would have 50 per cent of the satellite project and ITV companies at least a quarter. The rest should go to one or more companies outside traditional broadcasting.

The IBA will call for applications later this month. They will be vetted by a team headed by Mr John Whitney, the IBA director general, who will make recommendations to Mr Brittan. Thorn EMI, Philips and the Virgin group have expressed interest.

Mr Alasdair Milne, director general of the BBC, emphasised at the weekend that the BBC was committed to DBS in the agreed form and believed "the sooner we get on with it the better." Mr Milne, who was in Montreux for the television festival, said: "We are absolutely committed to DBS and we have been from the start."

Shorts plans expansion

BY OUR BELFAST CORRESPONDENT

SHORT Brothers, the state-owned Belfast aircraft manufacturer, is understood to be looking at the possibility of taking over part or all of the vacant De Lorean car plant at Dunmurry, west of Belfast.

The company confirmed that it was examining ways of increasing production capacity to meet a rapidly expanding order book. It won a £115m order in March to supply freighter aircraft to the U.S. Air Force and sales of the Shorts 360 commuter airliner are buoyant.

Several options are being considered, but a spokesman said it was too early to say which, if any, would be chosen.

The 600,000 sq ft De Lorean factory lies close to predominantly Roman Catholic West Belfast. Shorts is trying to recruit more Catholic employees and the location of the plant would ease the task.

In an effort to reduce the religious imbalance in its labour force, Shorts last year agreed a programme of action with the Northern Ireland Fair Employment Agency.

INSURANCE

Bonanza for life companies

IT WAS all smiles for UK life assurance companies last week. The new business figures for the first quarter, published by the three life associations – the Life Offices Association, the Associated Scottish Life Offices and the Industrial Life Offices Association – showed just how great was the rush by savers to beat the Chancellor of the Exchequer's removal of life assurance premium relief (LAPR) in his budget on March 13.

New annual premiums on individual life business amounted to £405m 43 per cent above annual premiums of £283m in the first quarter of 1983. And the latter quarter was a good one for new life business, with the new contracts as a result of Miras – the new method of crediting tax relief on mortgage interest starting to come through.

The first indication that the Chancellor was about to end the tax relief on life assurance premiums did not come until the famous budget leak to the press which appeared on March 1. In the few days between that leak and budget day, life companies were inundated with proposals as intermediaries urged people to take out life assurance while they could still get the tax relief.

The intermediaries were able to offer their clients a two-way option. If, in the event, the Chancellor did not remove LAPR on budget day, the saver could exercise his legal right under the cooling-off option and have his premiums returned in full.

Once the Chancellor had made his announcement on March 13, life company branches were flooded with applications by savers trying to beat the deadline set at midnight on that day. Life companies streamlined their acceptance procedures and branches stayed open until midnight dealing with the applications. The results were certainly worth the efforts.

The figures from the associations showed that both traditional and unit-linked life business revelled in the bonanza. New annual premiums in the quarter for linked-life business were up by two thirds to £109m.

Conventional ordinary branch life business had a 45 per cent annual premium rise to £232m, a very good rise considering that this business was the main beneficiary of Miras and last year's first quarter premiums were good.

New annual premiums in the industrial branch – traditional life business where premiums are paid weekly or four-weekly and collected by agents at the homes of policyholders – showed only a 11 per cent rise.

Here the agents did not make such a big drive for business, but this branch of the life market has been extremely dull in the past couple of years and even an 11 per cent rise represents a big jump forward. The number of new policies sold, which has been steadily falling in successive quarters, also rose more than 1 per cent.

If this was all that happened in the first quarter then life companies would not be smiling long. The jump in life business was due to a once-off effect. In the longer term, the loss of LAPR should mean lower life sales, through life companies are being remarkably optimistic on the effects. The second quarter figures should show whether this optimism is justified.

The first quarter's figures showed almost all sectors of the personal life and pensions market to be enjoying buoyant sales. Single premium business improved 46 per cent in the period from £470m to £688m, with most of the growth coming from sales of linked-life bonds.

These jumped 60 per cent from £308m to £493m, reflecting in part the growing involvement of traditional life companies in this sector.

Single premium life business was not affected by the budget, and if stock markets continue strong, sales of linked-life bonds should continue to expand.

Sales of personal pension policies, mainly to the self-employed, remained steady in the first quarter, with new annual premiums rising 18 per cent from £45m to £53m and single premiums by 22 per cent from £89m to £109m.

Eric Short

M.T.D. (MANGULA) LIMITED

(Incorporated in Zimbabwe)

INTERIM REPORT

	Six months ended 31.3.84	31.3.83	31.3.84	31.3.83
	Ore Milled		Recoverable Copper	
OPERATING RESULTS (Metric tons)				
Miriam	621 800	619 700	5 301	5 437
Norah	255 800	240 510	2 015	1 778
Total	877 700	851 010	7 316	7 215
Concentrates purchased			2 799	—
Smelter production			8 095	6 790
Anodes purchased			—	2 096
Refined copper produced			9 089	8 277
Sales—copper			9 658	9 298
—silver (kg)			12 800	11 104
—gold (kg)			122	132
FINANCIAL RESULTS (Z$000s)				(Unaudited)
Turnover			22 272	18 161
Working profit			1 214	3 051
Interest (net), sundry income less other expenditure			(1 816)	(1 343)
(Loss)/Profit			(602)	1 708
Net capital expenditure			3 764	19
(Loss) Earnings per stock unit (cents)			(3.0)	8.5

COMMENT ON RESULTS

Although production increased marginally and metal sales were at better prices during the period under review, the additional revenue so derived was insufficient to offset substantial increases in mining and smelting costs to which the cost of electricity and local prices of imported stores and equipment were the main contributors.

Provided the current levels of metal prices are maintained and costs do not continue to escalate, the company could earn a profit during the second half of the year.

ACQUISITION OF SMELTER

At the thirty-seventh Annual General Meeting of members held in Harare on Tuesday, 7th February, 1984, the following ordinary resolution was passed:

"That the decision by the Directors on 16 September 1983 to acquire the smelter and ancillary assets of Lomagundi Smelting and Mining (Private) Limited as a going concern on 1 October 1983 be and is hereby noted and approved."

Stockholders are advised that the purchase of the smelter and ancillary assets from Lomagundi Smelting and Mining (Private) Limited for the sum of Z$ 5 352 563 was effected on 1 October 1983.

The total purchase price is made up as follows:

Asset	Basis of Valuation	Value Z$
Mining assets—mining claims	At cost	5 877
—smelter and ancillary assets	At valuation	5 084 118
Inventories —smelter stores	At cost	1 051 754
—metal in process	At net realizable value	1 010 818
		7 152 583
Less: Reduction in purchase price in return for the company becoming a co-principal debtor with Merits Limited in respect of the balance outstanding on the 7.75 per cent loan stock owed by Merits Limited		1 800 000
		Z$ 5 352 583

The amount of Z$ 5 352 563 was settled by the company as follows:

Settlement of the amount owing by Lomagundi Smelting and Mining (Pvt) Ltd to the company at 1 October 1983	3 880 143
Balance paid by the company	1 472 420
Total	Z$ 5 352 563

The valuation of the assets acquired was determined by the Directors of your company and has been independently assessed and agreed to by the shareholders of Lomagundi Smelting and Mining (Private) Limited. The assessment by independent valuers took longer to complete than expected and consequently it was not possible to give stockholders full details in the Annual Report for 1983. Your Board's decision on 16 September 1983 was taken to protect the interests of the company and was based on the following reasons:

(a) The company already owns the adjacent refinery at Alaska and is the main supplier of concentrates to the smelter, and

(b) The operation of the smelter by M.T.D. (Mangula) Limited will lead to simplification and a reduction of administrative work and will result in the complete vertical integration of operations to the final stage of cathode production being achieved under one umbrella.

By Order of the Board
M.T.D. MANAGEMENT SERVICES LIMITED
Secretaries
per: A. W. Bradshaw

London, 8 May 1984
Transfer Offices:
Harare: Third Floor, RAL House, 67 Samora Machel Avenue
Johannesburg: 4th Floor, 154 Market Street
London: 6 Greencoat Place, SW1P 1PL

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MANAGEMENT AMIDST DIVERSIFICATION

ACCUMULATING TECHNIQUES – EXTENDING THE PRODUCT RANGE

Katsushige Mita, President, Hitachi, Ltd.

By Geoffrey Murray

Electronics-based industrial giant Hitachi will spend an estimated £690 million on new product research and development in Fiscal 1984. This represents slightly over seven percent of the company's current annual sales. It is o substantial commitment and nne the company considers necessary to maintain o pre-eminent position in a rapidly changing business environment. Diversification for Hitachi means a steady extension nf its accumulated electronics technology with no giant leaps into unknown business fields. At the same time, there is a growing emphasis on expanding production facilities overseas, especially in the key growth areas of semiconductors ond electronics-bosed home appliances. The Hitachi Group is large by anyone's standards, with 285,000 employees ot presant (including 25,000 locally-hired overseas), but it constantly strives to stay as flexible as an extremely small company, stresses Katsushige Mita, President nf Hitachi Ltd., the core of the business group.

Murray: Business conditions are changing very rapidly these days. How do you cope?

Mita: Yes, we recognise that society is changing and it will continue to change. So, we hava to make products that can cope with changes in taste and needs. Two specific areas are electronic products and those that have something to dn with energy. But Hitachi does not intend to start a business completely different than what we have been doing. We will diversify in the direction of using techniques and technology we have been nurturing up to this point. This involves a heavy stress on R and D spending—a little over seven percent of the parent company's sales in Fiscal 1984—and shifting people, production and financial resources to the most promising areas for growth.

"Staying Flexible"

Murray: Hitachi is o very big company. When you get so big is it really possible to remain flexible in rapidly responding to changes in the business environment?

Mita: Well, I am not 100 percent satisfied, but in Japan Hitachi has the reputation that, although it is a large company, wa still have the flexibility of a small concern. That is a very important function of the president and top executives: keeping the organisation flexible and always on the move. Hitachi is divided into various divisions, under which there are the production facilities. We work in such a way as if the factories were independent companies. As lnng as top management is good at coordinating activities the factories can be left to look after themselves.

Murray: Can you give some specific examples of how your business structure has adapted, introducing new product lines ond cutting back on old ones with less growth potential?

Mita: Take the example of our household appliance division. We have had some factories making refrigerators and room air conditioners and others producing washing machines. These factories, therefore, have been very limited in their production role up to now. But most homes now hava refrigerators and washing machines and there really isn't that much chance of further growth. To cope with this problem wa decided to lower the walls between the various divisions and broaden the scope of their activities. Aa a result, factories which used to make washing machines, home well pumps and electric fans, are now also producing laser beam printers and floppy disc drives. The basic R and D, however, is still done in separate laboratories.

Murray: Do changeovers like this pose any particular problems?

Mita: Well, in most cases it has gone smoothly so far. Washing machines, pumps and wnrd processors are all turned out on a mass production basis. And even washing machines these days have micro-computers, so we already had people trained in that type of work who cnuld readily accept the introduction of an electronics-based prodoct like the word processor. Where we do have difficulty is at factories which turn out very large pumps and generators—a mainstay Hitachi business in the past—where there are plenty of good mechanical engineers but not electronics engineers. It's difficult to choose a suitable product for such plants.

"Accumulating Experience"

Murray: What conditions have to ba fulfilled for Hitachi to move into o new product area?

Mita: Our basic philosophy is not to maka too big a jump. We will accumulate our experience over the years and then go into a business that is an extension of an existing one. One example is a subsidiary company called Hitachi Credit, which was created because we wanted to sell our electrical home appliances on an instalment basis. As this company gained experience it also began to offer credit in other fields like car sales.

Murray: What sort nf decision-making process is involved in diversifying your business activities? Is there o specific consultation process tn involve tha factory floor...the people who will actually hava to make the new product?

Mita: There are two basic ways. There are times when our factories suggest they would like to expand their business line, and tha proposal moves up the chain of command to the board of directors. For example, it was a factory request that led to production of word processors, etc. at the plant which used to make washing machines. There is also top-down recommendations: ideas from directors as to which direction we should move. Usually we leave it up to the divisions as to the type of products. But sometimes there are gaps, product grey areas between the different divisions...and it is the responsibility of management to spot these gaps and fill them.

Murray: Does management face ony problems in cnping with diversification, especially in keeping abreast of the technology?

Mita: Well, the problem is not completely absent. But at Hitachi we have an abundance of good engineers who can readily grasp new things. Out of about a thousand new recruits this year 85 percent were engineers. At management level there are some administration specialists in accounting and so forth, but mostly they have an engineering background. All the presidents in the Hitachi Group have been engineers at one time.

Murray: Yes, there seems to be a trend in Japan today towards replacing the old style business administrators with technologists.

Mita: That's true. You cannot stick to old business. There is a necessity to shift into new lines and for that you need to understand some of the technology involved.

"Good Training"

Murray: Japanese companies traditionally have recruited direct from school and provided nn-the-job training. There has been very little mid-career recruiting from outside. It is my impression that this system is beginning to change under the pressure of rapid businass diversification which requires more instant specialists. Does that apply to Hitachi?

Mita: Very little. We have a few, but primarily we stick to newly graduated people. New venture business companies, of course, cannot avoid hiring specialists in mid-career. But in Hitachi we have a long-term planning and R and D program so that we are able to train and develop our own talent to meet the needs. Of course, when you move into an entirely unrelated business line whera you have no previnns experience, then inevitably you will need to bring in experienced people from outsida. But, as I hava mentioned already, diversification for us means an extension of our existing activities without any big jumps.

Murray: What is the situation in your international operations?

Mita: Before, we mainly exported heavy machinery like large generators and pumps. Now, we are changing to more lightweight electronic products like semi-conductors and home appliances. Also, we are putting emphasis on building new manufacturing facilities overseas. In Europe we have factories making semi-conductors and video tape recorders, for example. And a typical example of our expanding activities is the acquisition this March of the remaining 50 percent equity in a television producing joint venture we had with G.E.C.

Murray: Finally, how do you define Hitachi's role in society?

Mita: Like many Japanese companies we feel that Hitachi has to be useful, it must make a contribution to society. This must come before a short-term consideration of sales and profits. Our belief is that if you are fulfilling a useful purpose then your sales and profits will naturally increase.

The Management Aim of Hitachi Europe

Akira Koizumi, Managing Director, Hitachi Europe Ltd.

Hitachi Limited's operations in the European area are fully represented by Hitachi Europe Limited in London, together with its subsidiary Hitachi Europe GMBH in Düsseldorf, with the exception of electronic components and consumer products, which are handled by separate sister companies.

Accordingly, Hitachi Europe's sales and technical support services cover a very wide range of products, including power generation equipment, heavy electrical machinery, chemical plant equipment, computers, communication equipment, office and factory automation equipment, automobile parts, air conditioners and others.

The basic policy is to contribute as much as possible to the European society, providing Hitachi's high technology products and co-operating with other European enterprises for mutual interests. In the past, the pursuits of mutual interests have been successful, and we believe, it will be well maintained and expanded in many respects in the future. Hitachi will continue to cope with the ever-changing needs of society by constantly developing its technology. One of the most important roles of Hitachi Europe is to establish a bridge of technology exchange between Europe and Japan.

HITACHI

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THE ARTS

Russell's Italiana/Geneva

Andrew Clark

If you are to let Ken Russell loose in an opera house at all, then giving him *L'Italiana in Algeri* is probably the safest way to go about it. Unlike some of Russell's previous excursions in opera, Rossini's work loses little by being picked up and shaken by a maverick imagination, and in spite of being overloaded with gags and props in its latest incarnation at the Grand Théatre, Geneva, it has emerged with a freshness and funniness that still left rom for appreciating a high standard of musical performance.

Russell's argument that the "war of the sexes" is basically the same today as it was in Rossini's lifetime is his point of departure, and the updating of character and situation—which can be so risky and tedious in more aerious operas—is easily achieved.

Surrounded by a high-camp chorus of eunuchs, the Bey is a wicked caricature of the Arab sheikh who views women as objects ("Oh che pezzo," he cries on the first sight of Isabella), as might anyone fed on a diet of Playboy and servility. His god is the Great Bunny-Girl in the Sky, whose insignia decorate even his own turban and tailcoat. Isabella, no more the shipwreck victim, is the resourceful Alitalia hostess who continues serving drinks during an unscheduled stop on alien territory, and later makes her patriotic salue as impromptu mascot for the visiting national football team.

The humour is of the "laugh-a-minute" variety, with undercurrents of harmless vulgarity, punctuated by a series of graphic dance routines performed by a smart troupe of nubile girls. Yet the elevating spirit of the work, as well as its engaging silliness of character and situation, was preserved. Russell showed an appreciation of the music's patterns, especially in the chattering ensembles where the plethora of hilarious activity was in keeping with the bubbling crescendos.

The cast worked as a team and everyone seemed to be enjoying themselves hugely. I especially liked Paolo Montarsolo's farcical Mustafa—a buffo bass of experience and style—and the Lindoro of Robert Gambill, whose pure, unfettered delivery and sense of line banished memories of the painful efforts of so many other tenors singing Rossini. Stefania Toczyska's Isabella was more luxuriantly sung than acted, but John Rawnsley's lecherous Taddeo was wholly in keeping with the romp.

Thanks to the eye-catching effect of Ralph Koltai's designs, Carl Toms' costumes and John McLain's lighting, and the precise, unobtrusive support of Myung-Whun Chung in the pit, the visual and musical production was carried off with speed, style and spontaneity. Whether the next operas to undergo the Russell treatment (including *La Bohème* at Macerata this summer and *Tannhäuser* two years hence in Geneva) emerge as unscathed as *Italiana* is quite another matter.

Panic/Theatre Upstairs

Michael Coveney

Denied the closing minutes of Alan Brown's self-indulgently zany clifftop epic by this theatre's new late start policy, we had reached after three hours a state of underwater apotheosis and mass orgy played out to the music of the spheres or at least the Halleluja Chorus and "Thus Spake Zarathustra."

The little cottage by the coast and all who sail in her had toppled over the edge, joined battle with the evil alien forces of the folks across the water and renewed its seagoing adventurousness on the good ship Arcadia.

As in an earlier study of council estate brutalism and domestic fantasy, *Wheelchair Willie*, Mr Brown has great problems writing a second act, but he has a strikingly quirky theatrical imagination and a raw ability to forge unpretentious dramatic and physical statements from unlikely material.

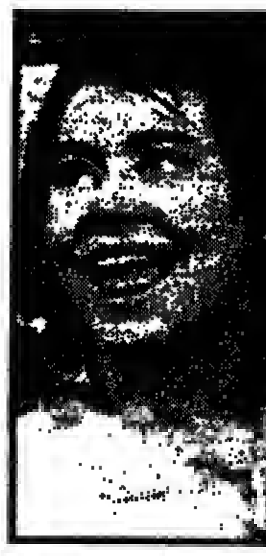
In this case, a family of eccentrics gather to celebrate the 20th birthday of Sweet Fanny (Harriet Bagnall), a retarded nymphet in a soiled dress who has a crush on the local Pan, a hairy-hoofed and corneted comedian who hides his phallic light under a whole bushel of raincoat.

David Fielder invests this character with a light, dreamlike quality, entering the sitting room of stuffed animals, carpet-slippered dummy grandparents and flapping shutters with a look of delighted amazement and an agile, funny walk. Whatever the flaws in the play—which tends towards the repetitive and prolix after the interval—there is no denying Mr Brown's creation of a hermetically sealed off group of misfits and nutcases who recognisably relate to each other, huddling against the mounting horrors of the real world.

Sara Easby's design gives us excellent elderly dummies which eventually expire before being unceremoniously dumped out of the window. And the family roll call includes a pair of brothers, Jack and Rat, who work, respectively, in the slaughterhouse and the punk rock business. Ken Sharrock and Ralph Brown give animated definition to these roles.

Dad and Mum are played by Alan David and Val McLane as a Welsh poetry-quoting pedant and a homely Geordie given to meeting each new horror with bland invitations to pull up a chair and have a cup of tea. Putting a whoopee cushion under the exponents of the Higher Art and even at one point of pub theatre (a dodgy area for the Theatre Upstairs, one feels) is one theme which delivers diminishing returns.

Danny Boyle's production creates controlled stage pictures of some beauty from the mayhem and is even convincing at suggesting a world turned upside down on the mainland, a world, we are informed, of failing water supplies, cock fights and public hangings. Still, this is a piece no more to forgive for its excesses than to forget for its raw quality and Marion Bailey, with cut-out children in tow, completes a memorable cast.



Alastair Muir

Harriet Bagnall

Architecture

Colin Amery

A new cathedral for the past

The reopening of the Museum of Modern Art in New York is an event akin to the return of the Ark of the Covenant to Jerusalem. Since the late 1970s, when the museum decided to rebuild and expand on its dense midtown site, there has been a disturbing period of limbo. For a time the modern art world has been without its centre, the faithful have been uncertain where to look for the approved dogma, the religion has lacked a temple.

The Museum of Modern Art has a rare and crucial atatus. It is not an institution that has merely collected examples of the art of our own century, it has set out to define what that art is. The very word *modern* is constantly being redefined by the mandarins at the court of contemporsry art. There is not another mnseum in the world that has so boldly and bravely, and sometimes even wrongly, written and distributed the visual propaganda of the capitalist 20th century world. Whether we like it or not the museum is the mother of contemporary art because its founders decided back in the 1930s that it was to be "the greatest museum of modern art in the world."

When it opens its doors to the public on May 17, 50 years of artistic choices and aesthetic decisions can be seen in a newly designed and doubled-in-size series of galleries. It will be a vital moment for the future of "modern art" as well as the moment that sets some kind of final seal on the development of critical thinking about the art of the 20th century.

For more than a week the Trustees of the Museum have been entertaining their friends from all over the world and from all walks of life that have any remote connection with modern art. One of the great strengths of the museum is that it has always recognised that the visual arts of the 20th century must include both the fine and applied arts. While painting and sculpture occupy the major spaces in the new museum it is printing, film, architecture, photography and industrial and graphic design that cluster round to prove the point that art in this century is diffuse and complex and yet close to our everyday industrialised lives.

The new buildings that house the icons of the 20th century have an interesting history. Like so many other things in New York the atory of these premises is a story of money. By selling the air rights to a developer to provide a tower of apartments the museum was able to finance the development of a new wing and a full-scale reordering of the collections and research facilities. The 44-storey residential tower and the new galleries were designed by Cesar Pelli and Associates of New Haven, Connecticut, working in collaboration with Gruen Associates, Edward Durell Stone Associates and Jacquelin Robertson.

View of the Museum of Modern Art's new Garden Hall, overlooking the Abby Aldrich Rockefeller Sculpture Garden

Cesar Pelli opted for a decidedly unmodern approach to his commission. He decided that there should be elements of conservation, that he would add on to existing buildings without taking the option to rebuild completely. The International Style building that was erected in 1939 by architects Philip L. Godwin and Edward Durell Stone at the present location in West 53 Street, off Fifth Avenue, has been retained as a landmark on the street. The white facade on a New York street remains as an early example of the modern movement.

One other element of the old museum that Pelli rightly felt obliged to retain was the Sculpture Garden—an important oasis in the city and one of Philip Johnson's more successful designs.

The new circulation area is a large, angular glazed steel frame that is rsther roughly detailed. In planning terms it solves the circulation problems and allows for the mobs of visitors to reach the galleries without transgressing the solemnity of the exhibition space.

The new galleries are not so different from the old. They are small spaces painted white and three quarters of them are close carpeted in grey. They feel like New York apartments of the 1930s—they have elementary tungsten lighting and daylight is almost completely banned. The collection is arranged chronologically and it is only when the carpet stops and the wooden floors begin that the galleries assume a more flexible character for the art of the last 20 years. There are some 800 paintings on show and the sculpture collection is distributed freely around the museum. Major improvements include the special installation of Matisse's *The Swimming Pool* and the return of Monet's *Water Lilies*.

The opening of a special architectural gallery, now called the Philip Johnson Gallery, should be a major event. I have to confess to a sense of disappointment. There are seven models set in a tiled enclosure surrounded by low benches. One of the few places in the museum where visitors can sit down. These models represent the Seven Lamps of Modern Movement Enlightenment. Two houses by Frank Lloyd Wright, two houses by Le Corbusier, one by Mies Van der Rohe, Louis Khan's Medical Research Centre, and the surprising inclusion of Norman Foster's glass insurance offices for Willis Faber Dumas in Ipswich, England. It is an odd and very inconclusive selection.

Around the walls of this room are some of the collection of modern architectural drawings. They are shown as works of art, which some of them are, but not all of them. I feel strongly that the display of material relating to architecture needs to be more sympathetic and related to the final buildings.

The dull display of architectural material suffers from its proximity to the design collection. Here, despite the tendency to display everything as though it was in a furniture store, again isolated from all associated material, the objects often sing with distinction and integrity. The "progress" from the Arts and Crafts Movement to the Bauhaus is much more interestingly and graphically displayed by the artefacts than by the selection of architectural material.

Now that the Museum of Modern Art has opened its doors again we must hope that it will not just be a shrine to the modernist dogmas of the 1930s. New York is the place for the redefinition of modernism and the museum is the place to do it. Thrilling though it is to see the new heart of the modern art world beating again — the pleasure is tempered by the aensation which seems stronger than ever now that by entering the portals of the Museum of Modern Art has become like entering a cathedral of the past.

Two Tennstedt concerts

Max Loppert

Klaus Tennstedt is a puzzling conductor. In the space of four days last week he and the London Philharmonic gave two Festival Hall concerts which touched disconcerting extremes of quality. Monday's Wagner—chunks of *Tannhäuser*, *Tristan*, and *Götterdämmerung*—demonstrated the less attractive aspects of the "enthusiastic" Tennstedt: sprawling platform demeanour, and splurgy, rackety, unrefined Wagner playing to match, playing which seemed to have as its artistic motto "loud, louder, and louder still."

The *Tannhäuser* Overture and Venusberg opening was a rumpus; one searched back for the consoling memory of conductors in this hall (such as the unforgotten Stokowski) not content simply to bash their way through the Bacchanale, but to phrase it and to attend to its internal balance of parts in a way that achieved sensuous beauty as well as sensationalism. In Isolde's Liebestod and later in Brünnhilde's Immolation (preceded by dawn, Rhine, and funeral music from the opera), the soloist was Jessye Norman—not a true Wagnerian dramatic soprano (the insecure top of the voice is out of scale with the sumptuousness of the rest), but all the same, ample, passionate, and grand in style. Miss Norman did very well, and would have done ever better with a conductor who supported her singing line rather than regularly undermining it in bulges of excitability.

Thursday's programme made a hardly less disheartening start. Walton's *Scapino* Overture is a wittier, more subtly shaded, more dramatically various piece when hit home less hard and less unremittingly; the LPO brass gave what was asked of it, and that was an important element in the overall effect of heavy-footedness. In the orchestral accompaniment to Haydn's C major Cello Concerto, Tennstedt removed rows of desks from the strings; but as he evinced little feeling for the muscular confrontations and humorous counterstatements of 18th century concerto discourse, the total classical impression was seriously weakened, and Heinrich Schiff's solo playing (untidy at first, strong and full of interest thereafter) was left to sustain it mostly unaided.

But then, after the interval, the Bruckner Seventh Symphony—and suddenly one remembered how and why the conductor has achieved his current acclaim, and how often in the past it has seemed a just reckoning. Though the LPO violins have lost much of their former serenity of tone—there were many wiry moments in phrases calling for bell-like brilliance and security of tone—the larger movement of the music showed this to be an orchestra whose Bruckner powers have not been lost since Bernard Haitink's day.

Tennstedt's way with this symphony is often deliberate in tempo yet filled with nervous energy of statement; the numinous radiance of the music, particularly of the Adagio, is not an automatic assumption so much as a goal to be worked towards.

It was hard to relate the seriousness of this performance, its control over vast musical periods and sombre elation in closing each one, to the sound-and-fury of what had preceded it.

Fred Karno's Army/Bristol

B. A. Young

Though he was a working player from his earliest days, we don't remember Fred Karno for his own performances but for the players who worked for him. Mostly we think of Charlie Chaplin and Stan Laurel, but his "speechless comedians" might include Billy Bennett, Will Hay, Max Miller, George Robey, Little Tich, or Harry Weldon.

Sensibly, Tony Staveacre has kept such characters in the background of his documentary revue at the Theatre Royal, Bristol. Chaplin is there, but his "drunken toff" act, with red nose and grey topper, hasn't much to do with the mature Chaplin—though Kerry Shale manages to suggest the later style in his movements, something Franny O'Loughlin can't do with the back-row character of Stan Laurel, then Stan Jefferson. Harry Weldon does his footballer sketch. I never saw Weldon, though as a child I knew his voice from gramophone records, as well as I now know Sir John Gielgud's. Barry Craine's performance suggests that the act was mostly knockabout.

Well, most of Karno's acts were knockabout. There were no scripts; the gags came out of Karno's inventive head, and were played as if they were spontaneous, though they surely included material from older comics. Chris Harris makes a convincing figure of Karno—brilliant, arrogant, cruel, mean, yet someone men liked to work with and women to sleep with. His faults were less excusable in his more prosperous times, and this naturally makes the second half of the evening less fun than the first, where it's a delight to see immortal jokes played as something fresh.

At the heart of Karno's company, Syd Chaplin, Fred Kitchen, Jack Melville, and Marie Moore come to genuine life in the hands of Kevin Lloyd, Michael Gunn, Tim Brown, and Linda Polan. Is the language sometimes a little too strong for that period? The direction by John David, on a stage where John McMurray's sets on the revolve keep the action continuous, ensures that the evening is lively, even when the matter is less so. Karno's refusal to see his wife at the birth of their latest child (the others having all died in infancy) is made sort of memorable by his appalling line, "She's only dropping another dead litter." Still, his funeral is hilarious.

Northern Music Theatre

David Murray

Appearing at The Place on Friday and Saturday, Northern Music Theatre proved itself to be a bold, serious and professional ensemble, and one that holds out great promise. Not "promise" in the sense of expecting their performances to improve—there's nothing tentative or half-formed about their work—but of inspiring a stream of new pieces in their flexible genre; an ensemble capable of such realisations must excite any composer with music-theatre projects. NMT is not alone in the field, but among continuing troupes here they are uniquely commodious, unconstrained by any fixed, special base like such-and-such an instrumental sextet or a vocal team. Directed by the composer Vic Hoyland and the conductor Graham Treacher, they draw from their excellent "company" whatever may be needed; a consistent style still makes itself felt.

They brought recent pieces for dramatic soloist and ensemble by Philip Grange and by Hoyland, with a Dadaist revue-number by Mauricio Kagel, *Pas de cinq*, between them. The sequence was plainly right, but it came under the curse of the new-music scene—the cumbrousness of moving from one work to another with completely different personnel and format: less than an hour of actual performance needed a 40-minute interval and a further long pause, almost like Covent Garden. Kagel's snappy little confection — tha choreographer David Sawer's too, for he animated Kagel's notated "steps for five" as disarming exercise for deadpan chaps with white suits, boaters and canes—made a good popcorn-break.

Grange's *The Kingdom of Bones* is a monodrama for a mother who flees with her baby from a plague, and loses him anyway (shades of Schoenberg's *Erwartung*, and of Britten's Madwoman). Though Linda Hirst did her with great commitment and economy of gesture, the piece is virtually a concert *scena*; the music reaches further than anything we see. Some effects may seem over-simple — pretty forest-murmurs for evocation, raw percussive blows for the tragic climax; the score is however not only precise in direction, but satisfyingly well-proportioned.

Andrew Clements has written here about Hoyland's spiritual biography *Michelagniolo* in York; I'll add only that the refined density of its harmony and its inventions for trios of flutes and clarinets are striking, that the sinuous solidity of Michelangelo's figures seldom appears in Sawer's *tableaux vivants*, and that in The Place the many violent explosions almost numbed the ear.

Bach/Elizabeth Hall

Andrew Clements

May is traditionally the month of the English Bach Festival. In less depressed times it spread itself across several weeks and between two cities—Oxford and London—embracing a generous helping of contemporary music alongside its 17th and 18th-century staples. More recently the scope of the festival has been severely curtailed.

A Japanese *Messiah* opened this year's programme, and Thursday evening the English Bach Festival Singers and Baroque Orchestra directed by David Roblou presented a characteristically imaginative programme of J. S. Bach.

It was billed rather forbiddingly as "Bach and Luther:" perhaps such an austere-sounding combination was the cause of the poor attendance. The Lutheran chorale "Ein' feste Burg" was the pivot around which the second half of the evening swung, given first in its original unison form, then as harmonised by Vulpius and Bach, as a chorale prelude and finally in the cantata which shares the name. Earlier, after the first (C major) suite to warm up orchestra and audience, was the Lutheran Mass in G minor, BWV 235, the first of Bach's "short masses."

Put together with great musicological point and informed by intelligently helpful programme notes it promised well, but the performances did not maintain the same standard. There waa more than a suggestion of haste in the preparation; the choral singing was not as well drilled as it should have been with a choir of only eight voices.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 11–17

Music

PARIS

Ircam – Ensemble Intercontemporain conducted by Gustav Kuhn, Raili Viljakainen, soprano; Anne le Baron, Bruno Maderna, Zimmermann, R. Strauss (Mon). Théâtre du Rond-Point (256 7080).

Ensemble Instrumental de France: Bach, Mozart (Mon). Théâtre des Champs Élysées (723 4777).

Yvonne Minton recital, John Constable, piano: Strauss, Wagner, Rachmaninov, Copland, Britten (Mon). Théâtre de l'Athenée (742 6727).

Orchestre Colonne conducted by Claudio Scimone with Orchestre Colonne Choir: Rossini's Stabat Mater (Mon). Salle Pleyel (233 7289).

Paul Küntz Orchestra and Choir and Albert Roussel Choir: Mendelssohn's Paulus, oratorio for 200 participants (Tue). Saint-Severin's Church (633 8761).

Ensemble Orchestra de Paris conducted by Hikotaro Yazaki, Annie d'Arco, piano, Raphael Oleg, violin: Honegger, Mendelssohn, Mozart (Tue). Salle Gaveau (563 2030).

Ensemble Orchestral de Paris-chamber music: Lekeu, Saint-Saens, Schumann (Wed). Salle Gaveau (563 2030).

Martin Egel, bass baritone, Marisa Borini recital: Lieder by Beethoven, Brahms, Mendelssohn, Schubert, Schumann (Wed). Théâtre des Champs Élysées (723 4777).

Armason: Dele Pa've – a folkloric Columbian group mixing music, theatre and dance in a heady cocktail (Wed, Thur). Cité Universitaire, 21 Bd Jourdain (589 3869).

L'Orchestre du XVIIIe Siècle conducted by Frans Bruggen, John Gibbons, piano. Haydn, Mozart, Beethoven (Thur). Théâtre des Champs Élysées (723 4777).

WASHINGTON

National Symphony (Concert Hall): Andrew Litton conducting, Doc Severinson, trumpet. Last in the season's pops concerts (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Claudio Abbado conducting Samuel Magad violin. Mozart, Hindemith, Brahms (Thur). (435 8122).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Yo-Yo Ma, cello. Shostakovich, Schmidt (Tue): Erich Leinsdorf conducting, Leon Fleischer piano. Roussel, Debussy, Ravel (Thur). Lincoln Center (874 2424).

Carnegie Hall: Danish National Orchestra: Sixten Ehrling conducting. Peter Zazofsky, violin. Grieg, Mendelssohn, Nielsen (Mon); Elmar Oliveira, violin. Robert McDonald, piano. Handel, Prokofiev, Suk, Brahms (Wed); Y Chamber Symphony. Gerard Schwarz conducting, Alfred Brendel, piano. All-Beethoven programme (Thur). (247 7459).

Kaufman Hall (92nd St Y): Christopher Trakas, baritone, Steven Blier piano. Paula Robison flute, Ronald Thomas cello. Telemann, Schubert, Liszt, Montsalvage, Ravel (Tue). 1395 Lexington Av (427 4410).

VIENNA

Aida conducted by Lorin Maazel with Maria Chiara, Victoria Vergara, Luciano Pavarotti and Bernd Weikl.

(Sun); Barber of Seville conducted by Richter with Kuhlmann, Winsauer, Gimenez. (Mon und Wed); Die Walküre concert performance conducted by Lorin Maazel with Hass, Jones, Ludwig, Lotte, Rysanek, Borowska. (Thur). Staatsoper (53 24/26 55).

Johann Strauss' Wienerblut conducted by Binder with Holzmayer, Haas, Papouschek. Volksoper (Tue). (53 24/26 57).

Lieder with Renato Bruson with Craig Sheppard, piano. Gluck, Mozart, Beethoven, Liszt, Faure, Ravel. Musikverein (Mon). (658 190).

Violin Evening with Toyoko Hattori, Juria Madatova piano. Beethoven, Brahms, Franck. Musikverein (Tue).

Vienna Hofburg orchestra conducted by Gert Hofbauer. Viennese waltzes and operetta. Konzerthaus. Mozartsaal (Thur). (72 12 11).

LONDON

Philharmonia Orchestra and Chorus conducted by Giuseppe Sinopoli with soloists. Verdi Requiem. Royal Festival Hall (Tue). (928 3191).

London Soloists Chamber Orchestra conducted by David Josefowitz with Tang Yun, violin. Mozart and Mendelssohn. Queen Elizabeth Hall (Tue). (928 3191).

Paul Roberts, piano: Debussy and Falla. Purcell Room (Tue). (928 3191).

Halle Orchestra conducted by James Loughran with Ruggiero Ricci, violin. Verdi, Mendelssohn and Elgar. Barbican Hall (Wed). (638 8891).

London Mozart Players conducted by Harry Blech with Henryk Szeryng, violin. Schubert, Haydn and Beethoven. Royal Festival Hall (Wed).

Peter Katin, piano: Liszt. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Myung Whun Chung with James Galway, flute. Kodaly, Khachaturian and Dvorak. Royal Festival Hall (Thur).

Fires of London conducted by John Carewe and Peter Maxwell Davies with Mary Thomas, soprano and Tom Yang, dancer. Judith Weir and Maxwell Davies. Queen Elizabeth Hall (Thur).

English's Chamber Orchestra and Pro-Musica Chorus of London conducted by Jeffrey Tate with Teresa Cahill, soprano, Keith Lewis, tenor and Gwynne Howell, bass. Haydn's Creation. Barbican Hall (Thur).

The Damask Drum / Finnish State Opera

OSSIA TRILLING

The world premiere of a first opera by 46-year old Paavo Heininen is a reminder of the remarkable way in which the post-war Finnish music theatre has grown and flourished. A graduate of the Sibelius Academy, the Cologne College and the Juillard School, Heininen is also a noted pianist, conductor, musicologist and teacher of theory and composition. Unlike his teacher, Kokkonen, and his contemporary, Aulis Sallinen – whose operas have been heard and admired outside Finland – Heininen has developed an atonal idiom that is avowedly "difficult." Yet his *The Damask Drum* is an accessible example of music theatre, a bold example of a "Gesamtkunstwerk," in which music, song, mime, dance and an exciting visual element play equal parts.

He mischievously calls it a "concerto for singers, players, words, images, movement." His 45th opus, it was fashioned into its final Finnish form jointly by the composer and the noted playwright, Eva-Liisa Manner. The libretto was shaped in part by the English translator and poet James Kirkup, professor at the University of Kyoto in Japan.

It is modelled, although remotely, on the 14th-century No drama by Zeami Motokiyo, *Ayo no Tsuzumi* (The Damask Rose). Oddly enough, another opera of the same title, and on the same theme, by an Icelandic composer was world premiered in Rejkjavik at the Icelandic Festival last year. On that occasion Kirkup also had a hand in the work.

Due to the foresight of the Finnish State Opera's retiring artistic director, Juha Raiskinen, who commissioned it as his swansong production in Helsinki, non-Finnish-speaking patrons of the Operahouse were able to read Kirkup's English translation in the parallel Anglo-Finnish version of the libretto, available with the programme.

This ninety-minute piece, with a single interval, bears only a superficial resemblance to its Japanese prototype. The production team of conductor Ulf Söderblom, director Lisbeth Landefort, designer Oiva Toikka and choreographer Aku Ahjolinna – the last two making their debut at the Operahouse – have, rightly, made no attempt to turn it into a copy of a No play. On the other hand, its origins as such are unmistakable.

The programme includes a well-documented preamble by the composer that makes his musical and dramatic intentions clear. Would that other writers of modern, "difficult" scores today were as helpfully explicit. The production is a compelling collective effort by the production team, the soloists, the chorus and, not least, Mr Söderblom's evident command of his situation. Full marks must go to the cast of eight soloists, 10 dancers, and 50 members of the mixed chorus who are seated on the stage in two ranks throughout, for mastering the daunting musical idiom.

The protagonist, who corresponds to the Shite No actor, is a gardener who conceives a consuming passion for the ice-cold princess – clearly a forerunner of Turandot. Being a member of a social caste below hers, and so out of her sphere, he is nevertheless encouraged to press his suit by striking the drum of the title. A foolish endeavour.

The gardener turns into a demon, drowns in the palace lake, and haunts the princess, who also becomes a demon. She is harried by the dancers, who also assume demonic shape, in the inconclusive, but tragic, finale. Much of the visual delights are provided by the shimmering settings and shifting light-effects by Oiva Toikka, a glass designer. Taru Valjakka and Heikki Keinonen assume the arduous roles of the princess and her unhappy suitor with a vocal artistry that conceals the almost superhuman efforts required of them.

On the Spot/Albery

Michael Coveney

Edgar Wallace's 1929 gangster play has moved into the West End from the Watford Palace where it was first seen in this revival by Robert Walker two months ago. It is an extraordinary piece, almost every line a rough-hewn aphorism, as the Italian chief hoodlum Tony Perrelli, whom Wallace based on Al Capone, changes one woman for another and trades off colleagues against rivals in rackety, corrupt Prohibition Chicago.

The cast is reinforced by John Bluthal as Tony's closest enemy and Allan Hendrick as the guy who is put "on the spot" after openly sacrificing his life for a few hours of happiness with Tony's Japanese wife.

I read that Simon Callow now sees Tony Perrelli as more introvert than extrovert. You could have fooled me. What he has worked on since Watford is a sort of overbearing, Neanderthal lassitude. In a play of crude effects and callous brutality, those stoney silences with Callow flicking his tongue and crossing his eyes at potential adversaries are the most frightening episodes of all.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Trevor Humphries

Richard McNamara (second from left) and Bill Bowers with Norma Clay, supervisor of the handle casting section. A visit to Japan's factories impressed on them that "role of individual supervisors was particularly important"

Employees chip in

Tim Dickson on Staffordshire Potteries' participation programme

TWO AND a half years ago the cracks in Staffordshire Potteries' balance sheet were not only highly visible — they were threatening to shatter the company's very existence.

Losses of £1.3m for the 12 months to June 1981, for example, had badly eroded the group's capital base and a £1.6m "rescue" rights issue in October that year was required to bring the business back from the brink.

But while most British companies battered by recession at the time were largely obsessed with financial survival and little else, the Stoke-on-Trent-based earthenware manufacturer also introduced a radical and far-reaching employee participation programme, which senior management believes is already paying off.

Nobody would claim that it has yet had any quantifiable impact on financial performance—Staffordshire recently announced an £800,000 turnaround in pre-tax profits to £620,000 for the half year to December—but Bill Bowers, the chairman, is convinced that employee participation has laid a solid platform for future growth.

The programme consists of three main initiatives. Better communication is achieved through regular "team briefings"; consultation has been improved with the setting up of a new Group Consultative Council; and greater involvement has been encouraged with the introduction of quality circles (these now cover about 20 per cent of the workforce). In addition, the company operates a carefully thought-out efficiency bonus and employee share scheme (see other article) which is designed to enable the company's 1,250 employees to share in the financial benefits of participation. Significantly, it is based on wealth creation (not profit) and is structured to provide self-adjusting targets automatically worked out on performance over the previous three years.

The Staffordshire story, however, is remarkable not so much because of what has been done — many of the techniques had been pioneered elsewhere—but because in the process the company has tried to reverse its previously paternalistic management style.

Set up in its present form in 1946 by Bowers' father, the business grew quickly on the back of a range of utilitarian tableware and retained its family image even after going public in 1952 (Bowers, his brother Ted and the family still own 20 per cent).

As the economic stormclouds gathered in the late 1970s and early 1980s, however, as machines started taking over from men and as work on the shopfloor became less interesting, Bowers and his colleagues realised that the old attitudes of "us" and "them" would have to be changed.

"There were a number of factors," he explains, adding that his conversion was gradual rather than a sudden flash on the Damascus road. "The sort of things we have had to do during the recession—most notably making staff redundant—were obviously pretty divisive and we had to find some way of avoiding a backlash.

"At the same time I was influenced by many people I met travelling round Western Europe and North America who were trying to get their employees more involved. "A camp divided can't survive. But if you can get everyone sharing the same objectives it is a pretty formidable formula for success."

The achievements so far—made easier by the traditional lack of shopfloor militancy—are not just a matter of pride at the company's Meir Park headquarters. They have undoubtedly impressed the industrial relations experts brought in to give advice on systems.

According to John Garnett of the Industrial Society: "The company has definitely developed from a paternalistic management to a leadership management. Many old-fashioned companies find it very difficult to make this change but Staffordshire Potteries has gone about it in a wholehearted way."

Adds Patrick Dolan of the Industrial Participation Association (which has helped): "This is an excellent example of a management recognising that something has to be done, thinking about it carefully and then going and doing it. The company's experience ought to be an inspiration to other firms of a similar size."

Before embarking on Staffordshire's programme, Bowers was determined to study "best practice" more closely. Personnel director Richard McNamara and two senior production colleagues were thus despatched to the Far East to have a look at Japanese experience. "What wo saw and beard turned much of our thinking on its bead," recalls McNamara. "We went to see real factories, not just the showcases, and our overriding impression was of the intelligence of the management and the efforts they were making to develop a relationship with their workforce. We thought the role of individual supervisors was particularly important."

In common with many other companies, Staffordshire previously attached considerable importance to the employees' annual report — a medium which McNamara now describes as "a bit superficial."

"The directors used to go through the figures with groups of employees, but trying to explain a balance sheet to someone who hasn't come across one before is a bit difficult. Whot's more, the managers used to be left out of the exercise."

The search for something better led to "team briefing," a concept promoted by the Industrial Society*. At Stafforshire Potteries production now stops for half an hour every month when team leaders spend 10 minutes passing on company information (prepared by the board), 10 minutes on "local" information (specific to a department/unit) and 10 minutes on questions.

"Quality circles"—groups of employees concerned to improve the quality and efficiency of production as well as their own job satisfaction—were first set up ot Staffordshire in July 1982. "The enthusiasm of people has to be seen to be believed," says McNamara, a point confirmed by a presentation from one group intent on introducing more accurate stenciling methods in the despatch department. "In 10 years' time I think everyone will be participating in a quality circle," he adds.

The group consultative council, meanwhile, which has five middle councils (with 10 to 12 representatives on each) and seven "lower" councils (12 on each), has replaced the old "works council." A talking shop for directors and shop stewards has thus been superseded by a much more widely based forum.

*See *Management Page, October 21 1983.*

How the scheme works

SALES FIGURES displayed at various vantage points throughout Staffordshire Potteries' Meir Park Division have more than just passing significance for the 1,000 employees who work on the site. For the monthly totals—set beside the monthly targets—represent a continuous progress report on the company's imaginative Efficiency Bonus and employee share scheme.

Introduced last July with the help of London-based consultants, Copeman Paterson, the scheme rests on several important principles:

- It answers the question "What do we get out of participation?" but since the sums involved are inevitably relatively small is not primarily intended to make employees work harder.
- It demonstrates that the company has a higher claim on surpluses than any individual. Only one third of the money earned above the target (or "norm") is shared out among employees, the balance going back into the business.
- The payout is tied to the total "wealth created" with future targets adjusted automatically according to a predetermined formula. The scheme is thus independent of directors' influence and so designed to allay fears that targets can be manipulated by the board.

The mechanics of the scheme are best explained by an example, taking the 1983-84 "norm": £1.23 of wealth created for every £1 of wages. (Employees at the Royal Wilton site, are also in the scheme but are aiming to beat a different "norm".)

Wealth created is defined as the difference between sales, say £22m, and costs (except wages). Actual wealth created would thus be, say, £11m.

This is then compared with the "target" wealth created—obtained by multiplying the norm (£1.23) by the total wages bill (£8.4m). The result is £10,332,000 or £668,000 less than the actual figure.

The bonus to be paid is thus one third of £668,000, or £222,667.

Under Staffordshire's rules, 75 per cent is divided between employees with 12 months service or more. Each therefore receives £185.55 cash on which tax and National Insurance contributions are payable. The remaining 25 per cent is only divided between employees with five years' service or more and is paid out in the form of shares under an approved profit sharing scheme. Beneficiaries in our example would get £113.33p or around 144 shares based on yesterday's price.

Personnel director, Richard McNamara, admits that setting the first "norm" was "a bit arbitrary" in the wake of a deep recession but he points out that thanks to the formula devised by Copeman Paterson it will be self-adjusting in future.

Ironically, due to adverse seasonal influences sales targets have been missed a couple of times recently and the company will have to make up lost ground in the final quarter to beat the "norm." This has inevitably caused some disappointment on the shopfloor while a quick straw poll also indicated that the final points of the scheme are not yet fully understood.

Same name but different job

PUNDITS pontificating on the failure of British manufacturers to match German industry for quality and dependable deliveries usually blame the inferior management skills of UK production executives. But the underlying assumption that Germans are more proficient ot what is essentially the same work has just been challenged by Joanna Buckingham and Peter Lawrence of Loughborough University's department of management studies.

The two countries have different views of the work required of production bosses. It is in Britain that the work is seen as centred on managerial activities such as control and motivation of workers. In Germany it is seen rather as engineering. So tho Loughborough researchers claimed at the recent British Sociological Association conference in Bradford.

British production chiefs tend to be occupied with patching-up activities such as chasing up overdue supplies, cannibalising components, urging quality-control departments to pass what they have previously judged to be defective bought-in parts, rescheduling jobs, organising overtime work to catch up, and dispatching part-orders, the Loughborough pair said.

German equivalents' main activities are different. They include taking part in major scheduling meetings, ensuring back-up supplies of essential components, easing pressure by arranging artificial deadlines ahead of the actual time limits, and continuously giving other managers and companies they depend on advance reminders of the need to deliver on time.

The Germans have the advantage of more developed union/management consultative machinery. Works' councils tend to forward grievances to the personnel department. In the UK such grievances "are presented by shop stewards to hard-pressed production managers."

Less attendance at formal meetings is required in Germany. In addition, of the fewer meetings held, o higher proportion are concerned with purchases of equipment —"a rare event in Britain" —or with the monitoring of customers' orders and of progress towards delivery targets.

Where the German production executives do invest more time than their UK counterparts is in touring the shopfloor, and the top-rank people can be found there as often as their less senior colleagues. "In the Brish case time spent in the works declines with rank. The higher-level production managers tour the works less frequently or not at all."

Consequently, although tho UK executives put more time into pre-arranged discussions on quality, the Germans control it more closely.

One reason for their greater ability to exercise closer control is that a large proportion have high-grade technical qualifications. Not only do German universities produce a far higher proportion of graduates in engineering than UK higher education institutions do, but their engineering courses lay more emphasis on practical training.

Hierarchy

..."What is more," the two researchers added, "managers with technical qualifications 'overspill'" into the non-technical functions in German companies."

Closer technical involvement does not lead to rigid working procedures. Comparative organisational studies "depict German companies as somewhat less bureaucratic in the sense of hierarchy and compartmentalisation than matched firms in Britain." Indeed, the strength of Germany's production executives is "ingenuity—tangible manipulative skill, technical inventiveness, the effective combining of elements, unexpected alignments of means and ends, and creative attention to detail."

By contrast, in the British manufacturing "culture," the emphasis of production management work is on "resourcefulness." That, Joanna Buckingham and Peter Lawrence said, "suggests having something to fall back on, a capacity for adapting to circumstance, for saving situations, being able to work with what is to hand, and finding a way even if there are no signposts."

Michael Dixon

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Obsessed with exam results

WHAT PART young people may aspire to play in the economy is infinenced more in Britain than in other developed countries hy examinations and certificates held and awarded publicly, rather than by the particular school last attended. Originating in the past century when newly instituted universities arranged to bold their entrance tests in groups instead of individually, the public exams acquired further importance from the increase of full-time higher education after the Rohhins Report of 1963. They have gained such a sway over employers as wall as parents and professional educators that tha associated certificates or lack of them can make or break the lifa prospects of children completing their compulsory education at the age of 16.

The effects on the ability of the UK's young people to work and live successfully in a technologically-advanced world have been causing disquiet for years. Heads of schools whose pupils achieve outstanding examination results have added their voices to the complaint that Britain now has not an education system, but an exam-passing system.

Under pressure to get pnpils over the hurdles at 16-plus and 18-plus so as to go on to university or polytechnic and take a degree, secondary schools concentrate heavily on academic as distinct from practical activities, and on working individnally rather than in teams. Children whose intelligences and interests run in the academic direction are often led to drop elther numerate or literary studies entirely at the age of 15 or even before. Although employers complain that academically successful recruits tend lo he poor at practical or team work, many organisations reinforce the examinations' dominance by insisting on good grades as a precondilion even of interviewing young people for jobs offering prospects of a well-paid career.

Supplementary

The governments since 1979 have done more than their predecessors to loosen the grip of narrow academic specialisation. Two measures with that end in view have been announced by Sir Keith Joseph, Secretary for Education and Science, in the past fortnight.

One is intended to broaden the curriculum studied by the more academically-inclined pupils after the 16-plus exams. Besides studying two or more subjects for the full-scale Advanced-level examinations, which govern entry to higher education at 18-plus, such children will be able to sit also for so-called Advanced Supplementary exams in other subjects. It is hoped that teenagers will respond by continuing to study both numerate and literate topics at least to the supplementary stage.

Sir Keith's other recent set of proposals is more adventurous and potentially fartherreaching. He wishes schools and colleges to start providing from September, 1985, courses emphasising practical more than academic abilities. These will lead after one year's full-time work to a new 17-plus certificate whose official title has not yet been decided hut it has been ordained that the certificate will not positively distinguish passes from failures. It will be of the type known in educational jargon as a profile, being issued to all who complete the course and recording only successful attainments. Since the Education Secretary also plans that similar profiles will be issued to all children completing compulsory full-time education at 16, the new certificate will essentially signify that its holders have undergone another year of full-time study with a general emphasis on preparation for employment.

Restricted

The initiative extends Sir Keith's previous encouragement of alternative, practical forms of schooling by supporting trials with technical and other work-related courses for 14- and 15-year-olds. But it is doubtful that bis proposals will persuade children, particularly the more intellectually inclined, to work lo develop their practical abilities rather than concentrate on academic studies.

The main problem is that over the past two decades professional institutes as well as big employers have increasingly restricted entry to managerial and specialist careers to people who hava continued their academic education beyond school to the level of a degree. It seems likely therefore that unless the new practical studies offer successful students credentials qualifying them to enter higher education, Sir Keith's alternative courses will be regarded as fit only for the dull or disaffected.

A tilt towards Iraq

THE SUCCESSFUL attacks by the Iraqi air force on three large tankers in recent weeks are a dangerous extension of the war in the Gulf. There is every indication that Iraq's sbility to use Exocet missiles will increase and more tankers will be sunk or hadly damaged.

The air attacks also mark a significant change in the course of the three-and-a-half-year-old war. In the first two years of fighting Iran repulsed Iraq's initial attack and launched a highly successful counter-offensive in the summer of 1982. Since then many of the Iranian leaders have been content to allow economic and military attrition to wear down Iraq on the assumption that the regime in Baghdad would collapse under such pressure.

This policy of attrition may have let Iraq off the book bnt at the time there seemed good reason for it. Iran is much the bigger and stronger country. There are three Iranians to every one Iraqi and the regime in Tehran is better placed to absorb casualties. Iraq's oil export terminals on the Gulf were destroyed by the Iranian navy and the pipeline across Syria closed. In the first two years of the war Iran cut Iraq's oil exports from 3.3m barrels a day to 650,000 b/d.

New pipelines

Iraq was compelled to ohtain large grants totalling at least $35bn from other Arah oil states, notably Saudi Arabia and Kuwait. Lack of money forced a drastic pruning of civil sector development inside Iraq and all traditional western suppliers were tapped for credits and loans. France alone is owed some $3bn. But such economic attrition, while damaging, is hardly fatal and Iraq is still getting essential supplies. It is also planning to build two new pipelines across Saudi Arahia and Jordan to restore its oil exports.

Economic deprivation has not combined with political discontent as the Iranian leadership hoped. The majority of Iraqis who belong to the Shiah Moslem faith have not thrown their support to their Iranian co-religionists and the mass surrenders of 1982 have not been repeated. This is a blow to Ayatollah Khomeini who sees the war as an Islamic crusade and not a defence of Iranian national territory, bnt it is hecoming clear that many Iraqis find the regime in Tehran even less appetising than their own.

U.S. surveillance

Tha failure of economic attrition and the faltering of Iran's ideological impetus are all the more serious because of the country's self-imposed diplomatic isolation. It is now paying the price for an antipathy towards almost all governments both east and west. The Soviets have moved decisively back to support for Baghdad after maintaining an uneasy neutrality for the first two years of the war. This is a vital change: they supply Iraq with two thirds of its arms. Iran relies mainly on China and North Korea for its weapons supplies.

The tilt by the U.S. towards Iraq is of less significance, though Iraqi President Saddam Hussein now admits that Iraq is getting information from American-manned and controlled surveillance aircraft. This move is probahly motivated by U.S. fear of an Iranian victory and the belief that Iran was behind the suicide bomb which killed 258 marines in Beirut last October.

Iran seems to have lost its best chance of complete victory in the war in 1983. Iranian attacks in February this year were beaten off and the Iranian leaders have yet to find an answer to new Iraqi defensive tactics and near total command of the air. France is supplying 29 Mirages capahle of delivering Exocets.

But tha resolve of Ayatollah Khomeini and his supporters to defeat Iraq should not be underestimated. They still have a superiority in numbers and many fanatical soldiers. They might win even now but more likely is a continuing war which will involva increasing air and sea attacks on shipping in the Gulf. This is an ominous prospect for all the oil states of the region and their Western trading partners.

UK PUBLIC SECTOR PAY

Still waiting for the miners

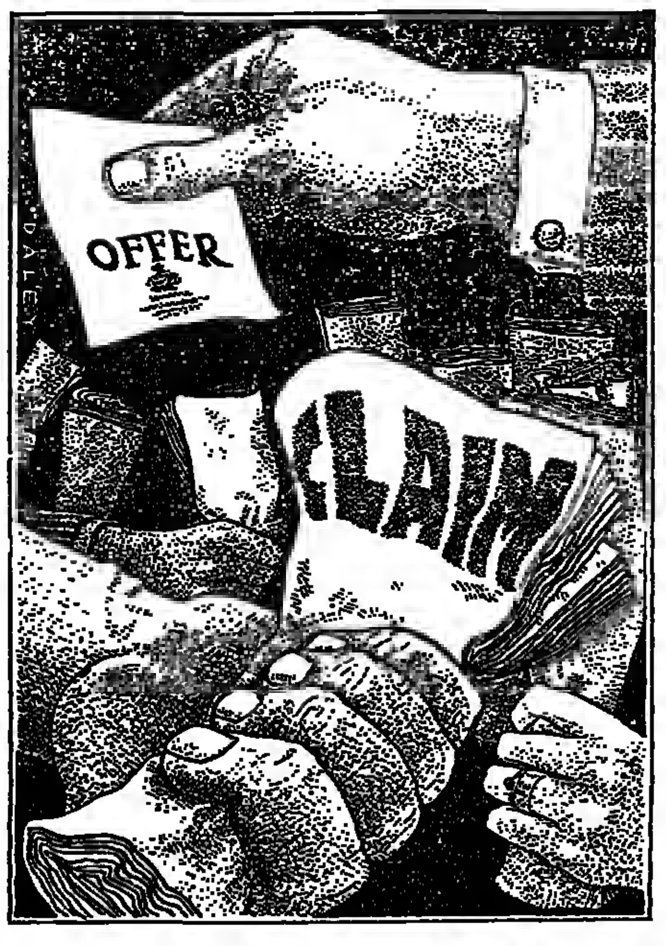
By Philip Bassett, Labour Correspondent

TODAY THE streets of the Nottinghamshire town of Mansfield will roar with the sound of tha miners, and the conference halls of seaside resorts will reverberate to the rhetoric of the bealth, civil service and Post Office unions.

There is an obvious connection between the two: trade unionists sending out sparks in the hope that these will fire their members' enthusiasm for militant action.

But there is also a deeper link. The miners' march—billed in advance by the National Union of Mineworkers as the largest post-war demonstration by British trade unionists—is crucial not just to NUM president Mr Arthur Scargill's hopes of repairing the miners' badly-fractured unity, but also to the ambitions on pay of the 7m other workers in the public sector. If the miners cannot win, they think, what chance have we got?

The current miners' strikes, on top of industrial action already taken by the teachers, and threatened so far by the railwaymen, the university teachers and in tha Post Office, may look like the start of a simmering "summer of discontent." Maybe. Perhaps the miners' strike is generating a new, wider mood of militancy in the public sector. But equally it may be that when it comes to it, few other groups will hava the stomach to follow the miners in buckling down for a long fight.



Generally, strike sctivity in Britain remains low. The miners' stoppages have pushed up the number of working days lost so far this year through strikes to 2.6m, as against 1.6m for the same period last year. However, if tha effect of the miners' action is discounted, then the real underlying picture is of fewer than 1m days lost — well down on 1983.

Perhaps the miners' strike is generating a new, wider mood of militancy in the public sector

That trend looks set to continue. According to a recent survey of industrial attitude by the EPIC communications group, 53 per cent of trade unionists believe the number of industrial disputes will rise over the next 12 months — hut 47 per cent feel they will either remain the same, or even fall. Only 32 per cent predict strong conflict over wages.

But if this suggests that the vexed issue of public-sector pay may not be tested on the streets this summer as widely as the queue of claims waiting to be settled might indicate, the pay problem in this sector remains.

The sheer size of Britain's public sector—one-third of the total UK workforce—and its high level of union organisation make it a constant beadache for the Government in managing the economy. Squaring the circla between cash limits and pay settlement levels is a perennial problem which most recent British governments have dealt with by oscillating between the twin poles of comparability and market forces.

The Thatcher government's dominant approacb has been to try to make public sector pay more responsive to the labour market. But there is an extraordinary range of jobs involved —from fish sexers in Aberdeen to steelmen in South Wales, from temporary telephone box cleaners on the Isle of Bute to judges sitting in Chancery in London. There are also often conflicting political priorities—the emphasis on law and order means higher pay deals for the police, yet s similar emphasis on education and training has not led to similar settlements for the teachers.

Broadly, Ministers tend to divide the public sector into four rough groups, and deal with them accordingly. Tha special cases — the police, the firemen — they traditionally pay, and pay bigh. The trading parts of the public sector—BL, British Steel, British Airways—they leave most directly to the market. The groups with muscle —the miners, and the gas, water and electricity workers — they buy off.

For the rest: the National Health Service, the Civil Service, the teachers, they set a limit, this year of 3 per cent, and then face them out. In addition, there is a range of long-established review bodies for groups such as the doctors, the armed forces and top civil servants.

This year has seen a perceptible, and perhaps significant, shift in this pattern. There is an emerging figure of 4.5 per cent for the traditionally weaker parts of the public services, and yet tha supposedly powerful groups are settling at only just above this — 4.6 per cent for the gas workers, 5.2 per cent for electricity supply.

In the ligbt of the continuing stand-off of the miners' strikes, this may stem from a revaluation of the real muscle of the trade unions' bard men. Certainly, the outcome of the miners' dispute will be crucial in determining the performance of this change.

But curreot pay trends bave reinforced some aspects of the pattern. Water, for instance, has in practice not joined the decentralisation of pay achieved lo differeot degrees in coal (highly-local incentive payments), shipbuilding (top-up local productivity money) and steel (local boouses only), despite the clear desire for it hy the Government in its abolition of the National Water Council and national bargaining arrangements.

Water workers, too, hava rejected a two-year pay deal, leaving only tbose trading parts of the public sector most directly facing private competition—BL and BA—with longer-term agreements. In passing, the water workers bave also reduced the NCB's covert hopes of geiting sucb a deal from the miners.

But the huild-up of public sector pay pressure this year is a result of three major problems in the Government's approach to the issue. It is having to pay the price for short-term political expediency. It faces gradual but relentless pressure for pay comparability after three years of low deals. And there is a clear gap between what the Government wants from the market forces argument and what it actually gets.

To take the problems in order. There is likely to be increasing anger from public sector workers when and if the Government meets the recommendations of a stack of pay review bodies, many of them set up for political reasons. (The exception is the nurses, who command a wide measure of sympathy, even from other trade union negotiators.) Though unhappy with the pay review bodies because they imply pay rigidity, the Government seems stuck with them and their recommendalions.

This spills over into the second area of difficulty. For the civil servants, the Government last year took two steps back down the road towards comparability. For this year's pay deal, it set up a study to be carried out by its own Office of Manpower Economics (OME) to look at outside comparahle pay and for the futura it broadly accepted the Megaw report on long-term pay determination, which recommended a new, more market-based system of restricted pay comparability.

Ignoring the OME report because of its embarrassing conclusions is had enough, hut the protracted talks on Megaw now seem to have also stalled. When Ministers were talking abont it to their Civil Service officials, they asked if a longer-term system would mean an annual series of swkward OME-like reports. Yes, Minister, came the reply—to s sudden marked waning of enthusiasm for Megaw as the solntion to the problem.

Chickens have also come bome to roost in the teachers' pay negotiations — widely regarded to bave been badly mishandled by the employers. The Government agreed to the setting up of a working party to look at teachers' salary structures and outside pay. So it can bardly be surprised when the teaching unions quote from official figures to show that 10 years ago, teachers' salaries were roughly the same as accountants', electrical engineers' or police inspectors. Now they are up to 42 per cent behind them—though there is room for argument as to whether the 1974 Houghton report on teachers' pay fixed their wages at the correct relative level.

But third, and perhaps most damagingly for the Government's tactics, the labour market may not be quite so influential as Ministers would like.

The Government'a theory is clear, and unperturbed. Take as an example the written evidence of the Department of Health and Social Security to the nurses' pay review body. Rejecting comparability, the DHSS argues that "the primary consideration should be that pay levels are such as to enable the Health Authority to recruit and retain the staff that they wish to employ." The suggested pay level is, not surprisingly, 3 per cent.

DEALS AND OFFERS

Group	Numbers	Increase %
DEALS		
Pelice	140,000	8.4
Atomic Energy	4,600	3.25
Firemen	35,000	7.8
Local Authority manuals	950,000	4.5
British Airways	36,000	4 and 5 per cent over two years, plus profit sharing
British Airports	7,000	4.0
Municipal Buses	18,000	4.5-6.0
Gas supply	41,000	4.6
British Steel	72,000	Local level lump sum bonuses
Electricity supply	77,000	5.2
Further education teachers	86,000	4.5
Scottish teachers	56,000	4.5
BBC	30,000	5.0
OFFERS		
National Coal Board	190,000	5.2
Civil Service	520,000	3.7
British Rail	180,000	4.5
London Underground	15,000	3.25-4.25
NHS—ancillaries	170,000	3.0
Teachers—England and Walas	440,000	4.5
University teachers	36,000	3.0
University non-teaching staff	50,000	3.0
Post Office	150,000	4.0
Water manuals	28,000	4.6 (1 year), 5.2 and 4.3 (two year)
British Telecom	130,000	3.6-4.4
British Nuclear Fuels—		
staff	7,000	5.0 (+1.5 productivity)
manual	9,000	4.5 (+1.5 productivity)

But the labour market may not work in such a precise way, according to the still-unpublished report from the Government's own OME review. It contains two damaging findings for the Government's market-based pay strategy.

First, it shows the difficulty of using a low pay limit for the public services as an exhortatory example for the private sector to follow, as part of the general effort to reduce pay settlement levels. The OME report shows basic private sector increases of 6-8 per cent, with a median rise of 6 per cent.

Second, it shows there is no evidence to support the Treasury's assumption that companies which find staff easy to recruit and retain — at a time of high unemployment — bsve lower pay settlements than others.

According to the report some 85.2 per cent of firms had no difficulty with recruitment, and 88.4 per cent none with retention of staff. In both cases, deals were on the overall median figure of 6 per cent. Even the small proportion with recruitment and retention difficulties settled only a few decimal percentage points higher.

Though, as the table shows, the Government has got some important public sector deals already under its belt — considerably more than is realised —the pressure is clearly there, and as the rest of the table shows, the queue is getting restless.

Eight main groups bave still to receive an offer. They are the bulk of the NHS, British Shipbuilders, the prison service, power engineers, gas staffs, local authority staffs in England and Wales and in Scotland, and the Civil Service's industrial sector.

Clear up the teachers, the theory goes, and the other groups will go down like dominoes

Treasury Ministers remain sanguine. They judge that the 4.5 per cent deal for Scottish teachers will eventually have to be followed in England and Wales. Clear up the teachers, the theory goes, and the other public sector groups will go down like dominoes. A tough attitude towards the miners' strikes will inhibit other workers from following suit.

They will probably be proved right. The miners' cries in Mansfield today of "Here we go!" are likely to be satisfactorily translated in Ministers' minds to "There they went" as one after the other, groups of public sector workers eventually settle. But once again, it will only be muddling through. The problem of how to pay Britain's state employees will return.

Men and Matters

A Pierce of the action

Tha Institute of Chartered Accountants, round about happy-hour time in London on Wednesday, will be watched closely by officials in the Stock Exchange tower.

Representatives of 50 to 60 stockbroking firms are expected to be meeting at the institute. They are the people who are not entirely in agreement with the proposed structural upbeaval suggested by the Stock Exchange Council.

In one of the most open arguments for years between the Stock Exchange and its members the gentlemen of the Exchange are actually organising in what approximates to their idea of a revolt. There is even talk that a "steering committee" might be formed to co-ordinate further action.

At issue is the Stock Exchanga discussion paper on its future atructure in the wake of tha SE's agreement with the Government last summer. The paper's theme: things must change.

"Bnt why?" asks Derek Greenwood, partner of Seymour Pierce, a nine-partner firm headed by his father. His view is shared, if not in detail, in principle, by representatives of over 50 smaller firms of the exchange.

Greenwood, aged 42, said yesterday that Seymour Pierce's initiative—which has rallied a considerabla number of the like-minded—was prompted by remarks of David Hopkinson, of M & G, the investment group, when be attacked some of the plans a few weeks ago.

Seymour Pierce reckons it is one of the oldest firms on tha Stock Exchange with roots going back to 1825 and even beyood. It counts the poet William Wordsworth as one of its more illustrious clients lo the days when poetry paid dividends.

Now the firm is notable for its involvement with water companies and the public issues which they frequently mount.

"I wouldn't like this to be seen as a revolt," says Greenwood, who estimates that the firms involved represent 650 dissatisfied members.

"It will, I hope, be a considered reply to the document. We bopa that the deadline (the end of this month) for responses will be put back. We do not accept that dual capacity —in which stockbrokers and stockjobbers will merge—is necessary.

"And there are few of us who really want outsiders bolding more than 30 per cent shareholdings in stockbroking firms."

As yet the major firms have not declared themselves as supporters. "But one or two council members are in tonch," says Greenwood.

Right of reply

Sir Larry Lamb's groundbreaking new journalism—printing across three pages of the Daily Express an imaginary Arthur Scargill speech—is clearly proving an attractive idea to many others from different parts of the political spectrum.

Rodney Bickerstaffe, left-wing general secretary of the National Union of Public Employees, took up the tactic in a speech at the union'a Bournemouth conference yesterday.

He claimed to bave s copy of a letter—like the Express Scargill speech—from Mrs Thatcher "telling the truth" about the Government's economic policy.

"It starts in her own manner, addressed the Great British Public," Bickerstaffa said.... "Dear Mugs — I'm really delighted to see you keep on making tha sacrifices that allow my friends to keep on making such a lot of money.

"If you must know, I've come on a Day Trip to huy a bag of coal"

"It never ceases to amaze me that despite the facts being hlindingly obvious, you suckers keep on falling for my old tighten-your-belts routine while my people get fat on rich pickings."

Like the Express, from its point of view, Bickerstaffe was making a serious point from his.

From the mood of the conference, Mrs Thatcher might get even a rougber ride should she try for right of reply than even Scargill bas had from the Express.

See how they run

What makes them run? Philip Hallfday tried to answer this question in his prevlew of the third London Marathon in Saturday's FT.

When you get over 20,000 people running 26 miles on a scorching May Sunday, real runners, joggers and fun runners, it's difficult to know in wbich category to place somebody like Donald Burr, chairman of People's Express, the low-cost air fares company operating from Newark, New Jersey.

Burr, aged 42, and over bere to look at the British end of his company's activities (it operates £102 flights from Gatwick) ran his first London marathon and look his brother, wife and sister along, too.

Understandably after 26 miles, he was not available for commant yesterday, but his spokesman said: "He and his brother finished the course and the women didn't. But that's by arrangement."

A remark likely to enrage militant feminists, but it is an arrangement that has survived seven marathons in various cities.

Pinching profits

You can take this with s pinch of salt if you like, hut publicity about the health risks of eating too much salt has sent sales of the Cantassium company'a low-sodium product "ruthmol" soaring.

Tbe company says it has doubled production in the last few weeks and is increasing the size of the tubs without putting up the price.

Ooe wbolesaler wbo normally takes 300 or 400 cases a week asked for 1,200 cases. Sales manager Neal Muranyl says: "We immediately doubled production and we bave been producing 2½ tons a week since to meet demand."

However, salt and salt tablets to fight dehydration are likely to be around a long time yet, particularly if the sun keeps shining.

Observer

AMERICA AND THE EURODOLLAR MARKET

A threat to London's leadership

By Mary Ann Sieghart

THIS YEAR, the Eurobond market comes of age. But a shadow hangs over its 21st birthday celebrations. For what U.S. politicians decide this week could threaten the City of London's pre-eminence in the market in which $50bn a year is borrowed from international investors.

Some bankers fear that if tax liberalisation measures go through Congress, much Eurobond business will return to New York and to the U.S., rather than European, banks.

The Eurobond market allows companies and countries to borrow money outside their domestic markets. Though its bonds are denominated in many different currencies, the dollar sector accounts for 80 per cent of the total money raised.

Investors like buying Eurobonds because no tax is deducted from their interest payments. In the U.S. domestic bond market, by contrast, 30 per cent of foreign investors' interest income is deducted at source by the U.S. taxman.

Of course, investors should declare their Eurobond income

Hard lobbying for the tax to be dropped

to the relevant tax authorities and then pay the appropriate tax. But some live in countries where they are either taxed at a lower rate or not taxed at all, and others evade or avoid tax altogether. Even the honest investors would rather receive their income gross and pay the tax later than have it deducted at source.

For these reasons (and the fact that Eurobond investors are guaranteed anonymity) most private investors outside the U.S. would rather buy Eurodollar bonds than their U.S. dollar domestic counterparts. And because Eurobonds are more popular, issuers can often get away with paying a lower rate of interest on their bonds in Europe than they would in New York.

But much of this could change if a Bill which is going through Congress is passed. This week, a joint committee from the Senate and the House of Representatives will meet to decide whether the 30 per cent tax on U.S. bonds bought by foreign investors should be eliminated. If they think it should, an amendment will be tacked on to the tax Bill, which should be passed within the current session.

Scares about the abolition of "withholding tax" have cropped up before. But the Bills have always been voted down at much earlier stages. This time, the measure has the full backing of the U.S. Treasury, under Mr Donald Regan, and the investment banking community, both of whom have lobbied hard for the tax to be dropped.

It would make markets more efficient, they argue, attract more foreign capital into the U.S., where there is a huge federal deficit to be financed, and, as Mr John Evans of U.S. investment bank Morgan Stanley, said in a letter to one of the Bill's sponsors: "It would transfer the centre of the worldwide dollar bond market back to the U.S. where it properly belongs and used to be."

This is what worries the London-based banks which do not have large operations in New York. The idea is that if the New York market were opened up to foreigners on a tax-free basis, U.S. borrowers would not need to come to the Eurobond market. They could just issue domestic bonds instead which foreigners could buy.

If this happened, the big U.S. banks, like Morgan Stanley, Merrill Lynch, Salomon Brothers and Goldman Sachs, would win extra business at the expense of the larger European players like Deutsche Bank, Credit Suisse First Boston or S. G. Warburg.

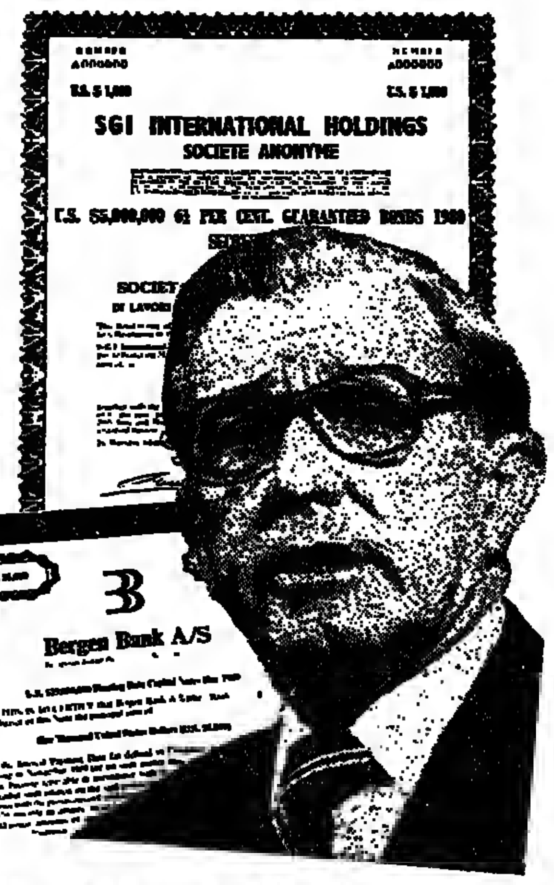
The European banks would still be needed to sell the bonds to their clients, but they would not win the coveted and lucrative job of lead manager—the bank that runs the bond issue.

As one German banker remarked rather petulantly: "The Americans want to go back to the good old days when they had the Europeans just doing the placement for them."

Moreover, there may be fewer bonds to place. Eurobond investors are notoriously conservative and want to buy bonds only from top-notch issuers. There are few borrowers with a better credit rating than the U.S. Treasury, backed as it is with the "full faith and credit" pledge of the U.S. Government. But since the Treasury cannot issue Eurobonds, investors have to make do with top-level U.S. corporate bonds instead from borrowers like IBM or General Motors.

In fact, the appetite for these sort of bonds is so strong that U.S. corporations can frequently raise money in the Euromarket on cheaper terms than the Treasury itself does in the U.S. This advantage could disappear if the European investor could buy U.S. Treasury bonds tax-free too.

Morgan Stanley is so confident that business will return to New York that it has threatened to run down its London operation. Mr Evans said in his testimony to the House of Representatives' Ways and Means Committee: "Morgan Stanley and several other firms have built substantial operations in Europe because that is where the Eurobond business is centred .... If the tax is repealed, the bulk of the U.S. corporate Eurobonds currently issued through our European offices will be issued in the U.S. We will welcome the opportunity to shift a substantial part of the activity back to our domestic organisations."



U.S. Treasury Secretary Donald Regan: backing the abolition of withholding tax

Other bankers see this as an empty threat designed to make repeal of withholding tax more attractive to politicians on Capitol Hill. There are divisions even in Morgan Stanley itself. Mr Archibald Cox, managing director of the London office, says: "There is not going to be a shift of people back to New York. For time-zone reasons, we will need a London base and for structural reasons, borrowers should continue to consider the two alternative markets."

There are structural reasons why the Eurodollar bond market may not be as badly hit as the scaremongers suggest. First, the abolition of withholding tax should only affect U.S. issuers' propensity to use the market. Last year, U.S. companies launched less than 15 per cent of total Eurobond new issues (though in 1982, the figure—25 per cent—was considerably higher).

Then there are currency factors. Most people who now buy U.S. domestic bonds have all their money in dollars. But Eurobond investors are not, on the whole, dollar-based. A Swiss investor, for instance, might be quite happy to buy a new Eurodollar bond at a time when the U.S. domestic market is in the doldrums, purely because he thinks the dollar will rise against the Swiss franc and he will reap a currency gain.

The banks which have access to these investors are mainly European and particularly, the big Swiss and German ones. They have billions of dollars under management, so if they manage a bond issue, they can place the bonds immediately into their own clients' accounts.

But to do so, they charge large commissions — sometimes three times the size that a typical U.S. bond issue could pay. This would imply that if U.S. borrowers want access to European investors, they will have to structure their bond issues differently—that is, paying a higher commission and lower interest. So to all intents and purposes, the two markets will remain distinct.

Moreover, European investors love secrecy. They do not want their name to be on the register of some financial authority when they hold a bond. Eurobonds fulfil this demand — they are bearer bonds, which means that they belong to whoever holds the piece of paper and presents a coupon when the interest payment is due.

U.S. bonds, by contrast, are registered. This means that there is a list of bondholders —not the sort of thing that people who keep their money in a numbered Swiss bank account want. If U.S. investment bankers want foreigners to buy domestic bonds, there will have to be a change in the law to allow them to be issued in bearer form.

There is still opposition to the withholding tax repeal in the U.S. itself. The labour lobby claims that the inflow of funds to the domestic market will force up the dollar, making U.S. goods less competitive and threatening jobs.

Some politicians and bankers believe that there will be wide scope for tax evasion by U.S. residents who could ask foreigners to buy bonds for them and pay them the interest free of tax.

The Securities Industry Association, which represents Wall Street investment banks, is split down the middle. Goldman Sachs, Merrill Lynch, Morgan Stanley and Salomon Brothers are in favour of immediate repeal, while Morgan Guaranty and First Boston favour a narrower approach.

Morgan Guaranty is a big player in the Eurobond market, but because it is a commercial bank, it cannot underwrite or distribute bonds in the U.S.

European bankers are holding their breath

First Boston, meanwhile, has a stake in Credit Suisse First Boston, the number one bank in the Eurobond market.

Their idea, which has been proposed by Congressman Doug Barnard in the House of Representatives, is that any U.S.-based bond issue targeted to overseas investors should be free of withholding tax. This would not mean, though, that the domestic markets would be opened up to foreigners on a tax-free basis.

European banks are now holding their breath while the joint House/Senate Conference Committee meets this week. If Mr Barnard's proposal is adopted, they can breathe easily again. If total repeal gets through, their boards may have to take some far-reaching policy decisions in the next few months.

Lombard

Market's views on inflation

By Samuel Brittan

THERE has been a great deal of discussion of how serious the British Government is in its talk of conquering inflation and how successful it is likely to be.

What is the view taken in the market by those who are voting with their purses? Since the introduction of index-linked gilt-edged securities, a rough indication of inflationary expectations in the bond market has been available. For the yield on indexed gilts gives an indication of the real rate of interest and the yield on conventional gilts gives the nominal rate of interest on long-term loans to the Government. The difference between the two must therefore tell us something about what the market expects to happen to inflation.

Some emphasis is needed on the roughness of the indication. Indexed gilts are a recent innovation. They became generally available only after the 1982 Budget. There are still arguments about the best way of calculating the yield.

There are other complications. Because only certain categories of investors, notably pension funds, receive the full gross redemption yield on conventional stock, the Bank of England has warned that the kind of subtraction sum plotted on the chart with this article gives the "top end of the range" of inflation expectations.

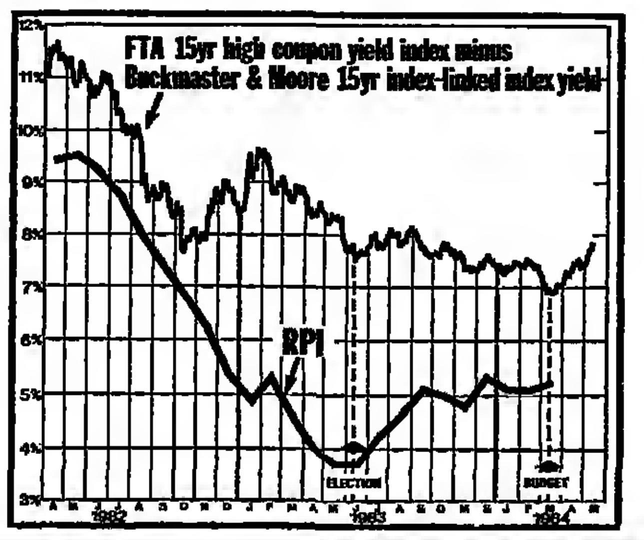
Thus the implicit rate of inflation expected by the market is not nearly eight per cent as the chart suggests, but more like four to eight per cent. Another reason why the chart may exaggerate is that conventional gilt-edged yields incorporate not only inflation expectations.

Yet, whatever may be said about absolute levels, the chart does give at least a broad guide to *changes* in inflation expectations over the years.

The first conclusion is that over the last two years inflationary expectations have dropped by about 3½ percentage points. Secondly, by far the most important influence on the plotted yield differential is the recorded annual increase in the Retail Prices Index.

Thirdly, the upper limit to inflation expectations has been in the seven to eight per cent range since the last election. Fourthly, there has been some modest deterioration since the Budget. But the overwhelming influence has been the fall in conventional gilt-edged prices under the impact of rising U.S. interest rates. No one could assert that expectations about U.S. and UK inflation rates and the dollar exchange rate have been brought into a consistent equilibrium over the last few weeks.

The market's best guess of the medium-term inflation rate is still the odd percentage point or so below seven to eight per cent—some way from "stable prices" but a good deal more optimistic than two years ago.



Letters to the Editor

Wrongful use of insolvency

From Mr A. Goldman

Sir,—As a former member of the Insolvency Law Review Committee, I welcome your powerful support (May 8) of the Government's White Paper on insolvency reform.

That the Government has not accepted some of the more radical proposals of the Cork committee for the protection of unsecured creditors is a matter for considerable regret but so far as the new concept of wrongful trading is concerned, the Government is on the right lines and must not be deterred from its objective by representations from the Institute of Directors.

The Cork committee secured written and oral evidence from some 280 organisations and individuals from all corners of England and Wales but regrettably the Institute of Directors did not make its voice heard until after the publication of the White Paper.

Honest directors will have nothing to fear from the proposed new legislation and it may well be that the Insolvency Act of 1985 will differ considerably from the Bill which is to be introduced this autumn.

There is one aspect of the Government's recommendations about which directors are right to feel concerned and that relates to the proposal for automatic disqualification of directors for three years when a company goes into compulsory winding-up.

This proposal is too harsh and goes beyond the recommendations of the Cork committee and there is no good reason why the automatic disqualification provisions whatever may eventually be agreed, should be more stringent in a compulsory liquidation than they are when a company goes into creditors voluntary liquidation.

Alfred Goldman,
125, High Holborn, WC1.

Pension funds investment

From Mr J. Quarrell

Sir,—I read with interest (May 9) Barry Riley's report of the talk which I gave at the annual conference of the National Association of Pension Funds.

While, generally, I would not disagree with the precis of my address, I must take exception at the prepenultimate paragraph. I do not wish your readers to be misled.

In my address I said that the words of *Sir Robert Megarry* that "trustees must not refrain from making the investment by reason of views that they hold" were an incredible departure from the normal approach taken by the Courts in the matter of investment. I think Mr Riley's article implies that it is recognition of the inadmissibility of the social views of the trustees which is a departure, but in fact I wished to emphasise that it was the phrase "not refrain" or to put it more simply, must make or at least must review investments, which I regarded as a departure from the previous approach of the Courts that they must not make certain investments.

John J. Quarrell.
76, Jermyn Street, SW1.

A mediaeval habit

From Mr C. Cunliffe

Sir, — Mr Ken Livingstone (May 10) asks: "What kind of logic or politics is it that first arrives at the conclusion, then casts around for arguments to justify it?" The answer is: a well-established tradition in politics and logic from Aristotle to Karl Popper. In layman's terms he says what any logician would wish to state about the method of conjecture. His question, however, implies that his own arguments are confined within the category of purely deductive reasoning, a medieval habit, whence ultimately issues nothing more enlightening than tautology.

C. R. A. Cunliffe.
East India Club,
16, St James's Square, SW1.

Once first, always first

From Mr C. Gilbert

Sir,—It has long been an ambition to answer an unanswerable question, and I am therefore indebted to Nancy Dunne (May 5) for allowing me to achieve this ambition. The supposedly unanswerable question she posed was "Which was the first horse to win the most Derby races?" The answer is the first horse to win the Derby races, there having been at least three such races completed. This answer may possibly define the null set, but if any horse has won two or more Derbies, a unique horse was the first to do so, and until such time as three races had been won by a single horse, this horse had (1) won most races and so (2) was the first horse to have done so. But once first, always first. I am confident that your racing correspondent will now be able to complete the answer.

Christopher Gilbert.
University of Oxford.
Institute of Economics and Statistics,
St Cross Building,
Manor Road, Oxford.

Beggared by Treasuries

From Mr R. Wilson

Sir,—The current controversy about VAT on take-away hot food recalls my initial inhibitions about such a tax, and David Hannay's strictures on a similar tax in Spain during the 16th and following centuries:

"The great resource of the treasury was the *alcbalas* or excise-taxes (farmed by contractors) of 5 or 10 per cent on an article every time it was sold—on the ox when sold to the butcher, on the hide when sold to the tanner, on the dressed hide sold to the shoemaker and on his shoes. All this did not bear its full fruit till later times, but by the 17th century it had made Spain one of the two 'most beggarly nations in Europe' — the other being Portugal."

Coming nearer our own times, many will recall the words of the Rev. Sydney Smith: "The schoolboy whips his tax top — the beardless manages his taxed horse, with a taxed bridle on a taxed road — and the dying Englishman, pouring his medicine, which has paid 7 per cent, into a spoon that has paid 15 per cent — flings himself back upon his chintz bed, which has paid 22 per cent — and expires in the arms of an apothecary who has paid a licence of a hundred pounds for the privilege of putting him to death."

Ross Wilson.
52, Fairhazel Gardens, NW6.

A vehicle for the repayment of mortgages

From Mr. P. MacNamee.

Sir,—There has been a great deal of comment in both your own columns and the financial Press generally as to the use of pension policies as a vehicle for the repayment of mortgages.

It cannot be disputed that such methods of repayment are on the face of it tax-efficient and the overall package can be made to look very attractive.

The building societies' attitude, however, is really quite surprising. They are now lending money effectively on an interest-only basis without any security whatsoever, save for the charge on the domestic property. They cannot take an assignment of the pension's contract; they have no control over whether premiums are paid or not; there is no non-forfeiture clause in the event of the account going into arrears; and there is no guarantee that the cash commutation at pension age will be available.

Many of the Press commentators have concentrated their minds on the tax advantages but have overlooked the pitfalls that exist. The Inland Revenue has always been at great pains to point out that the idea behind pension contracts was for the provision of income in retirement, not cash commutation. It is patently obvious that if it can see that pension vehicles are being used in order to mitigate tax positions for the repayment of mortgages and the like, then a similar attitude to life insurance premium relief will almost certainly be taken and many of the tax advantages withdrawn. Unlike endowment policies it would certainly mean that such action would also be retrospective.

The most surprising aspect of all, however, is that suddenly the building society managers who previously were involved at the most with fairly ordinary endowment policies are now becoming involved in the sales of personal pension policies to their members. This is an area that has complexities that at times bewilder professional pensions' people let alone building society managers who until now were both uninterested in and unaware of the rules relating to the premium payments into self-employed pension policies. What do they know about the carry back rules or the year of election for the payment of the premium etc? They could perhaps argue that this is something for the individual members' *accountants* but *this is* hardly fair.

Building societies are in no position to recommend or comment on the tax ramifications and it is therefore nonsensical that they should be involved in the advice of pension schemes repayable in this fashion. If they are prepared to accept the contracts then they should insist that the matter is dealt with through the individual's accountants or broker since this is a specialist area and pensions are not the speciality of building societies —or at least they were not until recently.

Another interesting feature that everyone seems to have overlooked is the position with regard to a change in tax status and possible pension provision. What happens if the individual member ceases to be self-employed or in non-pensionable employment and has to join a company scheme? What then will the building society rely upon for its repayment? Will the man have to renegotiate his loan?

These are genuine problem areas that appear to have been overlooked while the building society movement seems to be concentrating more on its replacement of commission income following the relative demise of the endowment repayment mortgage.

Patrick MacNamee,
79, Pall Mall, SW1.

Imbalances in the car trade

From Mr S. Harris

Sir,—A recent Parliamentary question demonstrates the imbalance in our motor trade with several countries. The situation with Spain is by now well known. The figures for the centrally planned economies are, however, even more lop-sided.

Thus UK imports from Yugoslavia in 1983 were 6,100 cars (compared with UK exports of just 50 cars). Equivalent figures for the USSR were imports 20,000 and exports just 26: imports from Poland were 6,300 and exports just 49; imports from Czechoslovakia 11,300 and exports just six.

My question is why do we insist on allowing Eastern bloc cars to enter the UK market at, in effect, subsidised rates when (a) there is no possibility of a two-way trade, and (b) the UK Government has invested large sums in our domestic car industry?

I am aware of the arguments for free trade, but cannot see how they apply in this case. Although British consumers may gain from dumped exports from the Eastern bloc, this can only be at the expense of weakening our domestic industry in which British consumers as taxpayers are heavily investing, while at the same time our car industry is denied the opportunity to export to these countries.

S. A. Harris,
6 Redgrave Road,
Putney, SW15.

FINANCIAL TIMES

Monday May 14 1984

Terry Byland on Wall street

Turbulent time for airlines

A LARGE number of bets in the equity market are off in the wake of the sudden check to confidence delivered by Friday's unnerving performance by Federal bonds. No stock sector suffered a more severe shake out than the airline issues, which had been returning rapidly to favour after a shaky first quarter.

Not that the recovery in AMR (American Airlines), Northwest Air, United Airlines and other airline issues regarded as oversold, has fully made good the damage of the opening weeks of 1984.

The Standard & Poor's airline index, at 151.90 on its most recent calculation, shows a drop of 6.5 per cent since the beginning of the year, compared with a fall of 2.56 per cent to 181.47 in the Standard & Poor's 400 stock index over the same period.

But this represents a notable recovery from the worst days at the end of February when the S&P airlines index was about 27 per cent down against 6 per cent on the 400. The reduction in the relative fall in the two indices reflects several factors.

The fall in stock prices in the first two months of the year was the stock market's response to the steady erosion of the industry's domestic price structure, as deregulation continued to bite toto established passenger routes. Many domestic discount fares are due to expire this month, and there is great uncertainty as to how many will be extended.

Dr Julius Maldutis of Salomon Bros, sees great opportunities for carriers like Piedment, Air One and People Express to continue undercutting those of the major lines aiming to increase their non-stop flights across the U.S. continent.

The first quarter went well for the industry, with most carriers benefiting from the comparison with the 1983 first quarter, when savage fare-discounting mauled profits. The opening quarter of this year saw earnings recover despite a fall of around 2 per cent in passenger traffic.

Profits could extend their gains through fiscal 1984, but much will depend on how the industry's price structure behaves.

Two factors previously favourable have turned against the industry. A weakening in the dollar, which would have heightened the attractions of the U.S. to foreign tourists now looks less likely; the Soviet withdrawal from the Olympic Games in Los Angeles has a cloud over another major tourist feature.

Dr Maldutis also sees a danger of further large price cuts in domestic fares this year if plans for substantial additions to carrier capacity on transcontinental routes comes into effect.

Because of this expected pressure on the industry's pricing structure he doubts if the stock sector will do more than perform in line with the market over the near term. Among the leaders, he sees only American Airlines as a "buy." American has already outperformed the sector, and now sells on a p/e ratio of 7 times 1983 earnings against 16.3 for the S&P airlines index as a whole and 12.28 for the S&P 400 index.

Mr Michael Armellino of Goldman Sachs also likes American Airlines. He expects American to lift earnings this year from $4.48 a share to $7.00, which cuts the p/e ratio to 4.9 times earnings.

After Friday's debacle in the stock market, when the Dow Jones transport average, comprising railway as well as airline stocks, fell by 1.29 per cent compared with a fall of only 0.86 per cent in the industrial average, there is a new factor to consider.

Airline issues have shown themselves to be very sensitive to the effects of high interest rates on business travel. Presumably, domestic air trips by salesmen and executives are obvious budget cuts when a finance department looks at forward expenses.

Deal on UK payments to await EEC elections

BY JOHN WYLES IN BRUSSELS

EUROPEAN Community foreign ministers are today likely to shelve any attempt to negotiate a final agreement limiting Britain's payments to the EEC budget until after the European parliamentary elections.

The issue does not even feature on the formal agenda for today's meeting of the EEC Council of Ministers, although it is expected to be discussed over lunch.

France, which currently presides the Council, has made no effort to organise further negotiations today. All the signs are that the governing French Socialist Party does not want to put at risk its chances in the June 14–17 elections by presiding over a potentially controversial settlement before then.

President François Mitterrand is believed to have confirmed this impression during lunch with Mrs Margaret Thatcher, the British Prime Minister, in Paris 10 days ago.

Postponing the negotiations until after the elections would also appear to suit Mrs Thatcher, since any possible settlement before then could leave her Conservative Party exposed to charges of weakness.

The minimum compromise which the Conservative Government knows it will have to make will leave the UK paying Ecu 300m-Ecu 400m ($240m-$320m) a year more to the EEC budget than the Ecu 400m-Ecu 500m that was Mrs Thatcher's original objective.

Most officials in Brussels believe the next target for a final settlement can only be the summit in Fontainebleau on June 25-26.

Several governments are nervous about the fact that another failed negotiation would solidify the impression of disarray and disunity in the approach to the world economic summit in Loodon on June 6-7.

In most EEC capitals the current reading is that Britian and her partners are too deeply separated over narrow, but apparently vital, differences for there to be much chance of an early settlement.

Behind the scenes discussions will continue and President Mitterrand seems determined to complete a full set of bilateral meetings with other heads of government before the next summit.

Ministers will have some discussion today on the European Commission's proposal for a Ecu 2.33bn loan by member governments to bridge the budget gap.

Their first reaction is likely to be that it is too early in the year to determine how large the gap should be and that the Commission should go away and seek further spending economies. There seems to be no majority, however, for seeking additional cuts in agricultural spending.

EEC finance ministers are to persevere in the meantime with the idea of strengthening the European Monetary System, but under a timetable which holds out little hope of concrete action this year.

During an informal meeting this weekend at Rambouillet, outside Paris, the ministers decided to set up a high level group of senior officials.

The weekend discussion also covered the approach to be pursued on U.S. interest rates and Third World debt at next month's world economic summit. The Europeans will be critical of the former and concerned about the latter, according to M Jacques Delors, the French Finance Minister, who hosted the weekend talks.

Still hope for Namibia talks

BY MICHAEL HOLMAN IN LUSAKA

DELEGATES to the conference on the future of Namibia (South West Africa) last night failed to agree on a joint declaration intended to be the first step in a process which could lead to independence elections in the territory.

The conference host, President Kenneth Kaunda of Zambia, described the talks as "difficult but worthwhile. It is important that contact at various levels continue," he said.

The conference has brought together all the major parties in the territory for the first time since the abortive UN-chaired Geneva talks in January 1981.

Participants include the South West People's Organisation (Swapo), led by Mr Sam Nujoma, which is waging a guerrilla war for independence, and most of the so-called Namibian internal parties.

Conference officials last night hoped that a broad consensus might yet emerge.

The consensus would be based on a declared acceptance of the UN Security Council Resolution 435 as the basis for Namibia's independence.

More important, say the diplomats, are behind-the-scenes negotiations which rest on two critical issues – South Africa's distaste for the UN role, which would include a 7,500-strong military and civilian force, and Pretoria's insistence by the withdrawal of the estimated 20,000 to 25,000 Cuban troops in neighbouring Angola.

What may be taking shape, is a tentative quid pro quo in which the role of the UN, profoundly distrusted by South Africa, may be substantially reduced. Its place could be taken, some diplomats speculate, by an enlarged joint military commission comprising South African and Angolan troops currently monitoring the disengagement of Pretoria's forces from southern Angola, now under way.

In addition, the six African frontline states, which include Angola and Zambia, may play a role in the transition and monitoring of independence elections.

Western diplomats believe that, despite the failure to reach an agreed statement, the Lusaka meeting might turn out to be the first complex step on what could be demanding negotiations.

UK offshore group to seek better deal

BY IAN HARGREAVES AND MAURICE SAMUELSON IN LONDON

BRITAIN'S offshore supply industry, angry at what it sees as the Government's failure to use North Sea oil as a base for developing British expertise, is about to launch a major campaign to win itself a better deal.

Top executives from 10 of the leading UK companies in the field will meet this week in Edinburgh to inaugurate a pressure group to be known as the British Indigenous Technology group (BRIT).

Their immediate aim will be to secure a revision of the official memorandum, agreed between Government and the oil companies, that British suppliers should have "full and fair opportunity" in seeking North Sea contracts.

"We believe that American companies scooped the cream in the 1970s and that they are already doing it in the 1980s. We are competitive and we're going to find a way of stopping them," said Mr Wally Atkinson, chairman and founder of London Bridge Engineering, and a member of the Brit executive committee.

Mr Atkinson said that his company, a family firm, found it easier to win contracts overseas than in the UK where, he said, the Government's Offshore Supplies Office, whose job is to police the full and fair opportunity rules, was "pretty well useless."

Mr Ian Wood, chairman of the Aberdeen-based Wood Group and the initiator of Brit, said the Government's policy of ensuring that 70 per cent of the value of any North Sea project went to UK firms, regardless of whether these were offshoots of foreign companies or other considerations, was "absolute nonsense."

The policy, he said, was failing to strengthen British companies to compete in offshore markets outside the North Sea, where the UK was currently winning only about 2 per cent of business.

Mr Wood said that Brit would initially be set up with a London base and for only two years. A full-time director is to be appointed.

Its chairman is to be Dr Dickson Mabon, a former Labour Party Energy Minister before his transfer to the Social Democratic Party. Dr Mabon said he believed it would be possible to improve significantly the framework for UK companies in North Sea supplies, without violating the Treaty of Rome.

"We have missed the boat once on the North Sea and we don't want it to happen again," he said.

In some respects, Brit's objectives echo those of the Government, which has also embarked upon a major drive to increase the export-awareness of UK offshore supply companies and to improve domestic research and development. The oil companies, however, would resist strongly any strengthening of the 'Buy-British' approach.

Brit executive members, however, feel that the Government cannot succeed without a more determined effort to channel more North Sea work to genuinely British companies. Last year, 72 per cent of offshore supply contracts went to UK-based companies, but unofficial estimates suggest that around half the contracts involved UK subsidiaries of foreign firms.

Kuwaiti oil tanker hit in Gulf war

By Our Foreign Staff

A KUWAITI-OWNED tanker, the 55,454-ton Umm Casbah, was hit yesterday by a missile fired from an aircraft in the Gulf and became the 15th marine casualty this year of the war between Iraq and Iran.

It has been assumed in Gulf shipping circles that the vessel carrying 76,500 t of fuel oil bound for the UK, was hit by an Exocet launched from one of Iraq's French-supplied Super Etendard aircraft.

Mr Abdul-Fattah al Badr, chairman of the Kuwait Oil Tanker Company, said that the Umm Casbah was outside the exclusion zone declared by Iraq. He gave the position of the stricken ship as 40m off the Saudi Arabian coast and 85m north of Bahrain.

Mr al Badr said, the missile apparently had not exploded. He said the vessel's central tank had been hit but that there had been no fire, casualities or loss of oil.

After attacks on two Saudi-owned tankers in three weeks, this incident seems bound to strain further relations between Iraq and its conservative Arab allies in the Gulf, who have sustained the country financially during the conflict.

The latest assault seems to have been another demonstration of military incompetence by the Iraq Air Force. On March 27 it succeeded in hitting the Greek-owned Filikon L, which was on charter to the Kuwait Petroleum Corporation, and sinking the South Korean supply vessel Heyang Ilho which was servicing one of Saudi Arabia's off shore oilfields.

Iraq pipeline plan, Page 4

Nigerian military to try corruption cases

By Quentin Peel in Lagos

THE FIRST anti-corruption trial under Nigeria's new military Government is due to open today in Lagos, with three former state governors expected to face charges of obtaining more than N2.8m ($3.8m) for their political party from a leading French construction company.

The Governors are seeking an injunction in the Lagos High Court to prevent the trial from taking place.

The start of what promises to be a mammoth series of trials of former politicians and government officials accused of corruption or economic sabotage, was officially confirmed by the Army headquarters last week.

More than 500 people are being detained by the new military Government under its anti-corruption decrees. They include ex-President Shehu Shagari, his Vice-President, Dr Alex Ekwueme, and dozens of former ministers, state governors, politicians and officials.

Five military tribunals will sit in different parts of the country: Lagos for federal cases, and Ibadan, Enugu, Jos, and Kaduna for provincial hearings.

The fact that the tribunals are expected to sit in camera, and will consist mostly of military staff, has already been widely criticised by lawyers and newspapers. The Nigerian Bar Association has formally decided to boycott the tribunals.

The Lagos tribunal will sit at Bonny Camp, the army headquarters in the wealthy suburb of Victoria Island, under the chairmanship of Brig Paul Omu, a member of the Supreme Military Council now ruling Nigeria.

Although it has not been confirmed that the trial of the governors is the first case, the three former members of the Unity Party of Nigeria (UPN), the leading opposition party, applied at the weekend for an injunction to stop it. They are Chief Olabisi Onabanjo, ex-governor of Ogun state; Chief Bola Ige, ex-governor of Oyo state; and Chief Michael Ajasin, former governor of Ondo state, all in Western Nigeria.

According to the application filed in the High Court, the three have been charged with corruptly enriching the UPN, by obtaining a payment of N2.8m from Bouygues Nigeria Ltd, one of the six leading French contractors in the country. The sum amounted to exactly 10 per cent of the contract price for a 20-storey office block in Lagos, to be the new headquarters of the Great Nigeria Insurance Company, jointly owned by the three state governments.

The governors claim in their application that the tribunal members would be biased against them because their "high ranking military superiors" had already expressed "prejudicial and highly-compromising views" on the case. They cited a statement by Brig Tunde Idiagbon, the chief of staff, supreme headquarters, second only to Maj Gen Muhammadu Buhari in the new Government, claiming that they had already confessed to obtaining the money.

Bouygues Nigeria has denied making any such payments to the UPN, stating that the money was paid as a "mobilisation fee" to subcontractors on the project.

Citroën test for Paris

Continued from Page 1

der pressure to rally popular support at a time when government austerity policies have led to higher unemployment and painful restructing decisions in many industrial sectors, ranging from steel to cars.

In contrast to the action at the Talbot plant at the beginning of this year, the situation at Aulnay has so far been calm. The plant is occupied by about 2,000 workers, claims the CGT, although the car company says the number is about 400. French riot police have been posted at the plant gates.

THE LEX COLUMN

Inflation in the fiscal test tube

The case for anything resembling inflation accounting has recently suffered a near-fatal series of reverses. Stock Exchange interest in Current Cost Accounts (CCA) has all but vanished, amid confused bickering among accountants over the nature of a successor to the lame-duck SSAP 16 version of CCA. Above all, the relatively subdued inflation rate has given traditionally minded finance directors a pretext for extolling the merits of historic accounts as all that anyone needs to know about the financial health of companies – a stand which the Budget may have underpinned in its abolition of stock relief.

Nevertheless, the latest research report from the Institute for Fiscal Studies claims that inflation accounting – but not exactly CCA – would remain necessary for years to come even if inflation stopped next week. Having diagnosed a disease which the corporate patient thought he had shaken off, John Kay and Colin Mayer feel the compulsion to prescribe a patent cure of their own.

Depreciation

Inflation accounting matters, it is argued, because balance sheets are still full of assets bought before the period of rapid inflation which seems to be over. The high inflation of the 1970s and early 1980s could affect real profitability for another decade, since historic-cost depreciation of long-lived assets will continue to understate the real cost of using them up. The force of this is reduced, though, because much older manufacturing plant has bitten the dust in favour of the shorter-lived equipment used in services.

To soften up the market for their new formula, Kay and Mayer naturally have to undermine any remaining confidence in the existing pharmacopaeia. The faults of SSAP 16, particularly in its treatment of purely financial items in the balance sheet, are well enough known and it is anyhow under revision. However, the data were not previously analysed to show, as many people suspected, that SSAP 16 significantly understated real profits when inflation was accelerating and has been overcompensating in the more recent slowdown. While they claim that current purchasing power (CPP) provides a much better overall measure of real profitability, its supposed failing is to give on guide to the cost of replacing the assets of any particular business.

Connoisseurs have been disappointed to find that the Kay and Mayer formula is nothing but a combination of these two shopsoiled nostrums. It is one part CCA (to deal with fixed assets) and two parts CPP (to cope with the effects of inflation on stocks and on monetary items). This mixture may prove hard to swallow, since it is an attempt to merge incompatible concepts of capital-maintenance, and so of profit.

The CCA ideal assumes that firms must try to preserve their physical operating capability – a notion which seeks to drive a wedge between the interests of a firm and its shareholders. CPP regards these as one, so that the capital which has to be conserved under inflation is the value of the shareholders' equity; from this point of view it may be immaterial whether physical assets are replaced.

There may be a way to save something from both CCA and CPP, even so. But the means of doing it would involve subjugating CCA to CPP more thoroughly than Kay and Mayer suggest, treating all assets as they treat stocks. What matters to the firm is not the changing of fixed-asset prices in isolation, but their movement relative to general inflation. If an asset price rises more than inflation the firm needs to make specific provision only for the excess.

Acceptance

While inflation is low, only a very simple form of inflation accounting can expect to pull in the patients. Because of its reliance on replacement costs, the Kay and Mayer prescription looks set to fail its clinical trials. Industrialists are irritated by their dismissal of the practical problems – and expense – involved in computing replacement costs. For small companies, especially, the costs of calculation seem likely to outweigh the benefits of having the answers. So far as acceptance goes, this is unlikely to rank as an improvement on SSAP 16.

For all that, Kay and Mayer's empirical study suggests that there is very little difference between profitability under CPP and on their new hybrid measure. Moreover, the original motivation for CPP still holds good; it answers fairly well to the interests of investors. And its freedom from judgemental elements would give it some remote chance of acceptance by the Inland Revenue were it not that – given any inflation at all – it must reduce the tax take.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Dubrovnik	–	–	–	Malaga	S	20	68	Salzburg	C	10	50
Akrotiri	C	27	81	Faro	S	20	68	Malta	S	22	72	Seoul	F	20	68
Algiers	F	20	68	Florence	C	15	59	Manila	F	34	93	Singapore	F	32	90
Amsterdam	S	14	57	Frankfurt	R	8	48	Miami	S	21	70	Stockholm	S	15	59
Athens	S	24	75	Funchal	C	19	66	Milan	C	14	57	Strasbourg	C	10	50
Bahrain	C	34	93	Geneva	C	9	48	Moscow	C	14	57	Sydney	S	19	66
Bangkok	F	34	93	Gibraltar	F	19	66	Munich	C	8	46	Taipei	–	–	–
Barcelona	S	15	59	Guernsey	C	9	48	Nairobi	F	27	81	Tangier	F	19	66
Beirut	–	10	91	Helsinki	S	13	55	Naples	F	15	59	Tehran	–	–	–
Belgrade	F	16	91	H. Kong	F	30	86	New Delhi	S	33	91	Tel Aviv	S	31	88
Berlin	S	18	61	Innsbruck	F	14	57	New York	S	13	55	Tenerife	S	22	72
Biarritz	F	12	54	Inverness	F	18	64	Nice	F	15	59	Tokyo	D	13	55
Blackpool	S	12	54	Istanbul	F	24	75	Oporto	F	18	64	Toronto	C	4	39
Bordeaux	C	13	55	Jersey	C	10	50	Oslo	S	17	63	Tunis	S	19	66
Brussels	C	19	50	Jo'burg	S	20	68	Paris	C	9	48	Valencia	F	16	61
Budapest	C	13	55	Las Palmas	S	22	72	Prague	C	18	64	Venice	S	17	63
B. Aires	F	10	50	Lima	F	23	73	Reykjavik	R	5	41	Vienna	R	10	50
Cairo	S	31	88	Lisbon	F	24	73	Rio de J'o	C	33	91	Warsaw	C	11	52
Cape Town	C	17	63	Locarno	C	16	61	Rome	S	17	63	Zurich	C	9	48
Caracas	C	26	79	London	S	14	57								
Casablanca	C	20	68	Los Angeles	C	17	63								
Copenhagen	F	14	57	Luxembourg	C	8	43								
Corfu	F	19	66	Madrid	R	19	59								
Dublin	S	14	57	Majorca	F	18	64								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Feldstein warning

Continued from Page 1

and driving interest rates even higher.

A comment last week by Mr Alfred Kingon, assistant Treasury secretary for public affairs, to the effect that Mr Regan now believes that links between money growth and economic activity are too uncertain to make monetary targeting an adequate test of whether the Fed is following the proper course, has been of special concern to the financial markets.

Last week's collapse in bond prices suggests there is mounting concern that the Reagan administration will attempt to pressure the Fed into adopting a more inflationary monetary policy.

An important voice missing from the debate, however, is that of President Reagan himself. Mr Feldstein has pointed out that over the past two days the White House has not joined in the attacks on the Fed.

Mr Feldstein says: "I think the President's general position has been that easy money has been the route to inflation in the past. I think he has a firm grip on the relationship between excessive monetary expansion and the inflationary consequences."

Doubts on cable plant

Continued from Page 1

cision. But cartel officials believe it is unlikely he would do so.

The companies put forward their joint project on the grounds that the West German market would be too small to justify various smaller operations and that a single plant would be technologically superior.

Abandonment of the joint venture would strengthen the prospects of Wacker Chemitronic, a company negotiating with American Telephone and Telegraph (AT&T) of the U.S. on a possible optical fibre operation.

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Denmark poised to replace $1.6bn of unused facilities

BY PETER MONTAGNON IN LONDON

DENMARK is now poised to launch a substantial credit to replace all or part of its existing $1.8bn of undrawn credit commitments from commercial banks.

"We have received an enormous amount of proposals and bave decided to limit the field and concentrote on a small number of banks," said Mr Nils-Erik Sorenson, a senior Finance Ministry official responsible for debt negotiation. He said on Friday that a decision on the credit would probably be made this week.

Already, however, the outline of Denmark's thinking is clear. First, the country has decided to go ahead with a standby revolving credit rather than a separate operation designed to pre-pay about $650m in expensive prime-rate based debt. This operation is still possible and could be similar to the $1.5bn floating rate note recently arranged by Sweden.

Feeling in the Danish Finance Ministry, however, is that the two operations – the standby credit and the floating rate note issue – could not be done simultaneously. As Denmark wanted to wait and see how Sweden's issue trades in the secondary market, it has decided to go ahead with the standby credit first.

The amount of the credit has yet to be decided. Denmark's loreign exchange reserves are high at the moment and it may decide to cancel all its outstanding credit commitments without fully matching them in the new deal. In that case, the new credit could turn out to be about $1bn rather than $1.6bn needed to cancel all the commitments, but the amount will depend on the terms Denmark is able to wrest from the banks.

These are expected to be extremely fine. Since Denmark wants the credit to act as a reserve against future borrowing needs, the major factor is the commitment fee rather than the interest margins as these would only be relevant if the credit is actually drawn. A point of particular importance to the market is that with this credit in the bag, Denmark's approach to foreign borrowing could change significantly.

Denmark has long had a policy of keeping a large stock of undrawn credits, but this stock has been created by attaching long drawdown periods to its loreign borrowing. Only the Eurocredit market offers such long drawdown periods – bonds such as floating rate notes have to be drawn immediately. That is why Denmark has needed to raise money in the Eurocredit market even though the floating rate note market is cheaper in terms of overall cost.

With its new standby credit, Denmark will have created wbat is in effect a lasting stock of undrawn credit. This will leave it free to concentrate on other markets lor its basic cash needs. So long as markets such as those lor floating rate notes are cheaper it will bave no need of further Eurocredits as the technical long drawdown advantage of the Eurocredit market will no longer apply. So, this could be Denmark's last major Eurocredit for some time.

Such a realisation is far from welcome in a credit market where new deals remain extremely sparse. Two fairly large deals – $300m for Korea's Eximbank and $200m for Thailand – are looming in the Far East, and in Eastern Europe the Moscow-based International Investment Bank is seeking $100m over seven years at a margin of ¾ per cent over London Eurodollar rates, but elsewhere little is afoot.

Demand for new Eurocredits has become so slack that bankers cannot even console themselves with the prospect of higher margins in the event of a fresb eruption of the developing country debt crisis.

INTERNATIONAL BONDS

Market reels after prices slump

BY MARY ANN SIEGHART IN LONDON

THE EUROBOND market last week was described by one veteran dealer as the worst he could remember. Dollar prices fell by 2½ points, D-Marks and Euroyen by 1½ points and Swiss francs by 1¼ points. The slump resulted from a weak New York bond market, rising short-term interest rates, and a strong dollar.

Short-term interest rates rocketed last week. At one point, six-month dollar rates were a full percentage point higher then the previous week.

Monday and Tuesday were relatively quiet, but when U.S. prime rates were increased on Wednesday, the markets fell out of bed. They were not helped by a bigger-than-expected rise in the U.S. M1 measure of money supply and poor demand in two of the three U.S. Treasury auctions.

Investors are convinced now that rates will rise further, both in the sbort and long term. So it makes little sense to buy fixed rate bonds.

But even the dollar floating rate note market took a sharp knock, with prices falling by ½–¾ point on the week – a very large drop for FRNs, whose prices are supposed to remain relatively stable. Most of the falls can be attributed to rising short-term interest rates, which make coupons fixed a couple of months ago highly unattractive.

There was also a scare about subordinated debt issued by banks. The Bank of England announced in January that holdings of subordinated bank paper by other banks was undesirable in that it diluted the capital within the banking system.

In a letter to the British Bankers' Association last week, the Bank restated that a London-based bank's capital would be reduced by the amount of other banks' floating rate notes it held. But it also announced two exceptions: banks managing and underwriting an issue can keep it on their books for up to three months without a deduction, and genuine FRN market-makers will be able to hold a "limited proportion" of their capital bases free of deduction.

Tomorrow the West German subcommittee on capital markets meets to set a new issue calendar for the next four or five weeks.

Bankers are crossing their fingers that the total volume will be ligbt. Now that the dollar is strengthening against the D-Mark there is no chance of "de-coupling" the New York and Frankfurt markets. And while U.S. rates are as higb as they are, there is little chance of the D-Mark strengthening. German traders feel powerless. "It's all doom and gloom," said one on Friday. "If U.S. interest rates rise further, there's no way we can't follow suit."

Even Switzerland, which is usually less dependent on the vagaries of New York, is feeling the strain. Swiss franc bond prices fell by a full ½ point on Thursday – a huge drop for a market wbose price changes are rarely greater than ¼ point in one day.

The main problem here is the strong dollar, which is luring investors away from Swiss francs. The same factor caused yen bonds prices to fall. Samurai bonds fell by 1½-2 points on the week, wbile the Euroyen sector saw price falls of 1-1½ points.

The UK gilt-edged market was badly hit too, and banks were forced to raise their base rates despite good UK money supply figures. Even so, a £75m bulldog bond for Elècricité de France was safely placed. Led by Kleinwort Benson, it bas an 11¾ per cent coupon at a price of 96.764 to yield 12.116 per cent.

Because of the dismal market conditions, there were no straight dollar new issues last week, but the first new FRNs for three weeks traded within their fees.

This week is likely to be quiet in all Eurobond markets.

Swiss Ecu bond to break new ground

BY OUR EUROMARKETS CORRESPONDENT

NEW GROUND is to be broken in the Ecu bond market this week when Swiss Bank Corporation International, Credit Suisse and UBS (Securities) launch a bond for the EEC, expected to be in an amount of Ecu 50m to Ecu 60m.

This is the first bond denominated in the EEC's own currency basket to be led jointly by the three major Swiss banks. As sucb it seems to mark an attempt to push the placement of Ecu bonds in Switzerland, and to open up possibilities for a market where demand has been dominated by retail investors in the Benelux countries.

Sucb a push would be very timely. Faced with a flood of new issues this year, Belgian investors bave become rather saturated with Ecu bonds, and placement has also become barder now that fears of a Belgian franc devaluation in the European Monetary System have abated.

Indeed, bond market bankers have frequently argued that for the Ecu market to come of age it bas to break out of the rather narrow distribution channels developed in Belgium and Luxembourg. That is why importance has been attacbed to the new interest being shown in the Ecu market by Swiss banks.

Yet few bankers believe that a new appetite for Ecu bonds is likely to develop in Switzerland overnight. On the face of it Ecu issues have some appeal for Swiss investors. The Ecu has been fairly stable against the Swiss franc over the past two or three years, but it carries much higher interest rates than Swiss franc paper. The guilder and D-Mark, both currencies with definite appeal for Swiss investors, also make up nearly half its total value.

At the same time, however, even Swiss benkers admit that the learning process about the Ecu has only just begun among the Swiss investing public. In other words, the EEC will not find a ready-made market for its paper in Switzerland.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
C. Itoh ‡¶	50	1989	5	7½	100	Nikko Secs., Robt. Fleming, Dai-Ichi Kangyo	7.500
Sekisui House §‡	50	1999	15	3	100	Nomura Intl., Dresdner Bk., UBS Secs.	3.000
Beijerinvest ¶‡	30	1990	6	9	98	Drexel Burnham, Svenska Intl.	9.452
Royal Co. §	40	1099	15	3	100	Nippon Kangyo Kakumaru, Robt. Fleming	*
Tokai Bank †‡	150	1999	15	⅛	100	CSFB, Tokai Intl., Mgn. Grenfell, Salomon Bros.	–
Caixa Geral de Depositos †‡	60	1994	10	¼	100	Mgn. Grenfell, Saudi Intl., Sumitomo Fin.	–
D MARKS							
EIB ‡	250	1994	10	8	99½	Deutsche Bank	0.075
SWISS FRANCS							
Central Finance **¶‡	50	1989	–	3¼	100	Bque Mgn Grenfell en Suisse	3.250
Hanshu Paper **¶‡	70	1989	–	3¼	100	CS	3.250
Dowa Mining **¶‡	50	1989	–	3¼	100	CS	3.250
Anritsu Electric **§‡	50	1989	–	1¾	100	SBC	1.750
Nippon Beet Sugar **§‡	50	1989	–	1¾	100	Paribas Suisse	1.750
Tsudakoma Corpn. **§‡	20	1989	–	1¾	100	SBC	1.750
Toho Inc. **§‡	60	1989	–	1¾	100	CS	1.750
Elec. Commn. N.S.W. **‡	100	1991	–	5¼	100	CS	5.250
TransCanada Pipeline **‡	150	1991	–	5¾	99½	UBS	5.839
Royal Co. **§	30	1989	–	1⅞	100	SBC	*
Iseki & Co. **§	70	1989	–	1⅞	100	UBS	*
Morita Fire Pump **§	20	1989	–	1⅞	100	Swiss Volksbank	*
Idec Izumi **§	25	1989	–	1⅞	100	SBC	*
Malaysia ‡	80	1992	–	6½	99½	CS	6.582
Prov. of Manitoba	150	1994	–	*	*	UBS	5.625
STERLING							
Standard Bk. of S.A. †(b)‡	50	1992	8	¼	100	Standard Chartered Merch. Bk., Schroder Wagg	–
Elec. de France ‡	75	2012	26	11¾	96.764	Kleinwort Benson	12.166
LUX FRANCS							
World Bank ‡	1000	1989	5	10¼	100	Banque Intl. a Lux	10.250
NOR. KRONE							
Finland ‡	200	1989	5	11⅜	100	Den norske creditbank	11.375
ECUs							
SNCI ‡	60	1994	0½	10⅞	99½	Bque. Gen. du Lux., Bque. Intl. a Lux., Caisse d'Epargne de l'Etat	10.960
SNCF	45	1994	18	11½	*	BNP, BBL, Paribas	*
YEN							
City of Oslo ‡	15bn	1994	9	7.3	99.45	Yamaichi Secs.	7.515

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. (b) Spread over 3-month Libor. ¶ With warrants. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Downturn anniversary marked by declines

WHAT A BIRTHDAY PARTY. Last week's anniversary of the 1983 downturn in the U.S. credit markets was marked by acutely nervous and sometimes bizarre trading.

And although bond prices staged a spectacular turnaround in rollercoaster trading on Friday, most sectors of the market showed substantial week-on-week price declines at the close—the fifth straight weekly drop in a row.

The omens were always bad. Trading kicked off to a poor start — with the third prime rate increase this year and the $16.5bn three-day quarterly refunding — and never looked up.

Under pressure from the refunding, government bond prices posted declines of between ½ and 2½ points. The price pressure was again concentrated at the long end resulting in a further steepening of the yield curve with the margin between three-month and 30-year government paper increasing by 28 basis points to 314 basis points — the largest gap since late 1982.

The auction itself highlighted the markets' fragility. Retail investors steered clear of all but the shorter issue despite the highest average yields since 1982.

The three-year auction, as expected, sold best, producing an average yield of 12.54 per cent. It got worse from then on. The ten-year notes produced an average yield of 13.16 per cent and the $4.75bn of 30-year bonds sold for 13.32 per cent — the highest rate since February 1982. By the end of trading, Thursday (the day of the 30-year note auction) the new 13.25 long bond was offered at a price to yield 13.43 per cent.

By the close on Friday—after a highly unusual two-point drop earlier in the day caused by dealers trying to lighten their portfolios — the new long bond closed at 98 3/16 to yield 13.45 per cent having traded as low as 96 3/16 earlier in the day. The 10-year 13¼ notes closed the week at 98 11/16 to yield 13.38 per cent.

The sharp decline in bond prices reflected the excess supply of new paper, concern about still higher interest rates, uncertainty about Fed policy, further evidence of the strength of the U.S. economy, and booming short-term business credit demand.

Most short-term rates also increased during the week with the Fed funds rate trading over the 11 per cent level for much of the time. However, there were sharp differences in money market rates. T-Bill rates increased only marginally. The three month rate rose from 9.90 per cent to 9.93 per cent at the Friday close. CD rates soared, primarily reflecting mounting concern about international and domestic bank credits and a spate of (heavily denied) rumours about Continental Illinois, the Chicago money centre bank. As a result CD rates increased by between 40 and over 100 basis points.

The major U.S. banks increased their prime rates by ½ a percentage point to 12.5 per cent on Tuesday—the third increase this year. The move provoked a bitter and maybe politically motivated backlash in this election year from some Administration officials, particularly Mr Donald Regan, the Treasury Secretary. He blamed the Federal Reserve Board and urged the Fed to loosen its grip on money supply.

The markets, which saw M1 jump by $2.4bn last week and M3 move outside its targeted range, were not impressed. Neither it seems was Mr Martin Feldstein, the retiring chairman of the President's council of economic advisers who said he thought the Fed had got it's monetary policy just about right.

The corporate credit markets, taking their lead from the government sector, also showed sharp price declines last week. Prices fell by one point for medium-term issues and around 1.5 points for longer issues while new issue yields were higher by between 40 and 50 basis points at the close.

Paul Taylor

U.S. INTEREST RATES (%)

	Week to May 11	Week to May 4
Fed funds weekly average	10.48	10.70
3-month CD's	11.40	10.75
3-month T-Bills	9.91	9.90
30-year Treasury Bond	13.39	12.81
AAA Utility	14.63	14.13
AA Industrial	14.25	13.83

Source: Salomon Brothers (estimates). In the week to April 30 M1 increased by $2.4bn to $534.6bn. In April M2 increased by $13.5bn to $2,242.2bn and M3 increased by $24.7bn to $2,790.4bn.

Net profit soars at Alitalia

By James Buxton in Rome

ALITALIA, the Italian State airline, registered a big increase in net profit last year and turned an operating loss into a profit.

However, the company warned of the effects of a period of strikes in Italian civil aviation and of a forthcoming clash between the Rome Airport Authority, which it now controls, and the unions.

The airline made a net profit of L18.4bn ($10.7m), compared with one of only L1.3bn in 1982. Turnover was up 16 per cent at L2,470bn, and that for the whole group including the domestic airline ATI and Aer Mediterranea, was up from L2,328bn to L2,745bn.

An operating loss of L52bn in 1982 was turned into an operating profit of L157bn in 1983.

The airline suffered L110bn from the effect on its debt servicing of the rise in the dollar against the lira, which was only partly offset by the sale of aircraft for L91bn.

For the past few weeks Alitalia flights have been affected by a series of sudden strikes of ground personnel at Rome and Milan airports, and five days of strikes by Rome air traffic controllers are planned for the next few weeks.

Alitalia recently took a controlling stake in the state-owned Rome Airport Authority, in an effort to resolve the airport's chronic inefficiencies

U.S. court orders Shell bid review

BY WILLIAM HALL IN NEW YORK

MORGAN STANLEY, the U.S. investment bankers advising the Royal Dutch/Shell Group in its bid to buy out the minority of Shell Oil, have been ordered by a U.S. court to deliver a new opinion on the fairness of the bid.

The court order puts Morgan Stanley in a delicate position since it has to advise on the fairness of an offer by a client which has stressed on several *occasions* that it *will* not increase it $58 per share offer price.

Last week a Delaware court ordered Royal Dutch/Shell to hold its $58 per share tender offer "in abeyance," until it had provided fresh information. The Delaware court had criticised Royal Dutch/Shell for only allowing Morgan Stanley to use published information in arriving at its opinion on the offer.

The court action followed a suit by small shareholders in Shell Oil, claiming that the offer price was too low and that Royal Dutch/Shell had used "coercive" tactics to win full control.

Late on Friday the U.S. court published its order requiring SPNV Holdings, a subsidiary of Royal Dutch/Shell, to obtain a *new opinion* from Morgan Stanley on the offer that would in the bankers opinion be fair to the Shell shareholders.

The new opinion will be distributed to shareholders as a supplement to the existing offer. For a period of 20 days after the supplement is issued shareholders will be able to withdraw their shares. Last week, Royal Dutch/Shell announced that it controlled over 90 per cent of Shell Oil's shares.

The court has ordered Shell Oil to make available internal information about its oil reserves and the valuation it puts on them.

● Shell and Akzo, the Dutch chemical group, have decided to merge their European consumer products operation. The new company will have an annual *turnover of around £260m* (£360m), writes Carla Rapoport.

Akzo, with 51 per cent of the shares, will manage the new group. Shell will own the balance after paying Akzo an undisclosed sum. The new company will be made up of Shell's Temana subsidiaries in Europe (sales around £60m in 1983) and Akzo Consumer Products (ACP).

Temana was created by Shell in 1974 and is best known for its household pesticides and air fresheners, including Airball. ACP, with sales of around £200m, markets household cleaning products such as Biotex, health and personal care products and a number of food products.

The merger will boost the research capacities of both companies and broaden their markets geographically. In those countries where the merger results in overlap of activities, rationalisation of products or staff will be investigated.

Currently, the two companies employ some 3,700 people. The merger will be limited to Europe, leaving the Temana companies in the U.S. and the rest of the world unaffected.

Trilogy delay diminishes threat to IBM

TRILOGY, the U.S. computer developer, has announced that its "supercomputer" will not be ready for shipment until 1987. This is the fourth time that the California-based company has postponed its first product and the announcement raises serious questions about its ability to compete in the high-performance mainframe market, writes Louise Kehoe from San Francisco.

"They have missed the market window," said Mr Aharon Orlansky of analysts Sutro and Co in San Francisco. "Trilogy's threat to IBM is seriously diminished."

Trilogy was founded in 1980 by Mr Gene Amdahl, the computer pioneer, and his son Mr Carlton Amdahl. It set out to develop a computer that would outperform anything which IBM could offer. Originally Trilogy was to launch its computer this year.

"Trilogy was exciting because it was going to outpace IBM by one (computer) generation," said Mr Orlansky. "Now I don't think Trilogy will have enough time to take advantage of its technology lead."

Analysts expect IBM to announce a new range of high performance computers — the Sierra series—next year. Trilogy had hoped to beat IBM to the market place. Now, however, Trilogy must target what is believed to be the next generation of IBM computers under development. According to industry watchers, IBM will launch a more powerful computer called the Summit in 1988. The Summit is expected to outperform the Trilogy computer.

In light of the delay Trilogy is now "reviewing its business strategy and analysing product alternatives which could produce revenues before 1987." The company will try to find alternative markets for its semiconductor devices.

Trilogy has raised close to $300m through several different financing arrangements. Trilogy says that its funds will run out by the third quarter of 1985 and that the company will require "significant additional financing."

NZFP has 66% rise in earnings

By Dai Hayward in Wellington

NEW ZEALAND Forest Products, the diversified timber and paper company, which earlier this year was locked in a fierce takeover battle with Wattie Industries and the Goodman Group, raised its net profits for the year to March 31 by 65.7 per cent to a record NZ$77.9m (NZ$50m) after equity-accounting its 23.5 per cent stake in Wattie for three months. Profits in 1982 were NZ$47m.

The takeover battle ended in a three-way agreement, with each of the companies holding a stake in the other, and with Watties and NZFP having directors on each other's boards. Wattie is engaged in food processing, and Goodman in baking, textiles and investment.

NZFP's sales, at NZ$832m increased by 19.6 per cent.

The results reflected improved conditions in the international pulp and paper market and in the New Zealand economy, and profits from associated companies were up almost four times, said Mr Lynn Papps, the chairman.

The final dividend of 17 per cent, making 26 per cent for the year is an effective increase of 8.3 per cent on last year. This year's results show a substantial improved return on average shareholder funds—15.1 per cent, compared with 10.3 per cent.

During the year an extra 26.6m of 50 cent shares were issued.

New chairman for Continental Illinois

● CONTINENTAL ILLINOIS CORPORATION and its principal subsidiary, Continental Illinois National Bank and Trust Company of Chicago, has appointed Mr David G. Taylor chairman of both the holding company and the bank. He succeeds Mr Roger E. Anderson, who earlier this year announced plans to retire from Continental. Mr Taylor joined Continental in 1957. He was elected a vice-president in the bond department in 1966 and a senior vice-president in 1972. He became head of the bond and money market services area and an executive vice-president in 1974, then treasurer of the corporation in 1980. Last year Mr Taylor was elected vice-chairman and a director of Continental, and in February he was named chief executive officer.

Mr Leonard W. Busse, senior vice-president, has been appointed controller of Continental Illinois Corporation. He headed the North America II banking group, and succeeds Mr Joseph Anderson, executive vice-president, who was named head of domestic multinational investment banking. Mr Busse joined Continental in 1963.

INTERNATIONAL APPOINTMENTS

● Three senior officers of BARNETT BANKS OF FLORIDA, INC. have been elected to the company's board and named to newly-created posts of vice-chairmen of the board. They are Mr Albert Ernest, Jr., Mr Thomas H. Jacobsen and Mr Allen Lastinger. Each is responsible for major senior management functions — Mr Ernest for metropolitan banking, Mr Jacobsen for finance and administration and Mr Lastinger for community banking.

● Mr Yusuke Kashiwagi, chairman of The Bank of Tokyo, will succeed Mr Saburo Okita as advisor of the ROBECO GROUP as from July 1. Mr Okita is obliged to relinquish his office on taking up a new appointment. Mr Kashiwagi was Vice Minister of Finance in Japan from 1968-71. He has also been a member of the panel of advisors of the International Finance Corporation, Washington, and a member of the International Monetary Conference.

● Mr Arthur M. Wood, former chairman and chief executive officer of Sears Roebuck & Co., has been named chairman of the U.S. PUBLIC OVERSIGHT BOARD, an independent body which monitors the accounting profession's self-regulatory program. Mr Wood retired as Sears' chairman in 1978 and has served as a member of the Board since 1978 and as its vice-chairman since 1982. He succeeds Mr John J. McCloy, a partner of Milbank Tweed Hadley & McCloy, who has served as chairman since the Board's inception.

● Mr Roland M. Routhier becomes an executive vice-president of TEXACO U.S.A., from May 1. In his new assignment, Mr Routhier will be located in the Houston headquarters of Texaco U.S.A., which is the largest division of Texaco Inc. This division is responsible for all exploration producing, refining, transportation, and marketing of petroleum and petroleum products in the U.S. Mr Routhier, who remains a senior vice-president of Texaco Inc., will continue also to have executive responsibility for Texaco Chemical Company which is headquartered in Bellaire, Texas.

● Mr Leland C. Adams, executive vice president, Standard Oil Company of Indiana, and Mr Wilbur H. Gantz, executive vice president and chief operating officer, Baxter Travenol Laboratories, Inc., have been elected members to the board of HARRIS BANKCORP, INC., and of its subsidiary, Harris Trust and Savings Bank.

● Captain Dhruba Bose has taken over as managing director of AIR-INDIA. The appointment comes after two years as a deputy managing director of the airline. From 1976 to 1982 Captain Bose was director of operations. He is currently Air-India's representative on the Technical Committee of IATA. He is a director of the Hotel Corporation of India, and a member of the committees currently evaluating replacement aircraft for Air-India and India Airlines.

● Dr Sidney Emery, Jr. has been appointed director of engineering of BENDIX Air Transport Avionics Division. He succeeds Mr D. Travis Engen, who recently became vice president and general manager of the General Aviation Avionics Division. Dr Emery was director of operations for both ATAD and GAAD.

● Mr Jacques Beliut, general manager of the Bahrain-based GULF RIYAD BANK, is returning to Credit Lyonnais next month, to take up an appointment as sous-directeur of the treasury division in Paris. His successor will be Mr Henri Laumet, who has had previous Middle East experience as manager of the Credit Lyonnais branch in Cairo. The French bank is a minority partner with Riyad Bank of Saudi Arabia in Gulf Riyad Bank, and has the responsibility for management.

● Mr Yutaka Takeda, president of Nippon Steel Corp, is to head the Japan Iron and Steel Federation for a one-year term, succeeding Mr Eishiro Saito. Mr Saito will become honorary president of the Federation.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	90⅞	91⅛	−1⅛	−3⅛	13.41
American Savings 12 89	125	96¾	97¼	−0⅛	−2¼	12.84
Australia Com. 11⅛ 90	100	96⅛	96⅝	−0⅛	−1⅛	12.05
Australia Com. 11½ 95	300	89⅝	90⅛	−0½	−1⅞	13.24
Australia Com. 11⅝ 93	100	89	89½	−0⅛	−2	13.31
Australian I. Dv. 11 89	75	92	92½	−0⅛	−1⅛	13.27
Bank of Tokyo 11⅞ 90	100	90½	91	−2½	−3⅛	14.07
Beneficial O/S F. 12 91	100	90¾	91¼	−0½	−2⅛	14.12
Canada 10⅞ 88	500	94⅞	95¼	−0⅛	−1⅛	12.39
Citicorp O/S 11⅝ 99	100	94⅞	95⅛	−0⅛	−2	12.52
DNC 11⅛ 91 WW	50	91	91½	−0¼	−1⅞	13.79
DNC 11⅛ 91 XW	50	91	91⅛	+0⅛	−1	13.78
Denmark Kgdm. 12 91	100	91⅛	91½	−0⅛	−2⅞	13.95
Denmark Kgdm. 12¼ 93	100	90⅞	91⅛	−2⅛	−3⅞	13.95
Digital Equip. 11⅛ 89	150	93½	94½	−0⅛	−2½	13.53
Dutch Mines 11⅛ 91	150	89½	90	−1⅛	−2⅛	13.76
EDC 11⅛ 89	150	91¼	92¼	−0⅛	−1⅛	13.47
EEC 12 93	50	93¼	93⅞	−0⅛	−2¼	13.22
EIB 11½ 90	200	90⅞	91⅛	−0⅛	−1⅛	13.64
Eksportfinans 11½ 90	100	90¼	90⅞	−0⅛	−1⅛	13.79
Eurofima 12½ 91	100	93⅛	94	−1⅞	−3⅛	13.95
Gen. El Cr. 11 91 WW	200	90⅞	91⅛	−0⅛	−1⅛	13.06
GMAC O/S Fin. 11⅛ 90	100	92⅛	92⅝	−0⅛	−3	13.17
Gulf & Western 12⅛ 89	100	95⅞	96⅜	−0⅛	−1⅛	13.91
III 12 89	100	93⅛	93⅝	−1⅛	−2⅛	13.84
Ind. Bk. Japan 11⅛ 89	125	93⅛	93⅝	−0¼	−1¼	13.43
Ind. Bk. Japan 11⅞ 91	100	90	90½	−3	−4⅛	14.01
Int. Pgr. O/S Fin. 12 91	75	95⅛	95⅞	−0⅛	−1½	12.98
ITT Finan. 11½ 89 WW	125	96	96½	−0⅛	−1⅛	12.43
LTCB 11⅞ 89	100	91¼	92¼	−1½	−2⅛	14.23
LTCB 12½ 90	85	93⅞	94⅜	−2	−3⅛	13.90
Macy O/S 11⅛ 91	100	92⅛	93	−0⅛	−2	13.42
Mitsui Trust Fin. 12 91	100	92½	93	−0⅛	−1⅛	13.68
Montreal City 12⅞ 91	70	95	95⅝	−0⅛	−2	13.59
Mrgn. Guaranty 12¼ 89	150	95⅛	95⅞	−0⅛	−0⅞	13.51
Ned. Gasunie 11⅛ 91	75	90⅞	91⅛	−0¼	−2	13.28
Nippon Credit 11⅞ 90	100	90⅛	90⅝	−2⅛	−3⅛	14.15
Nippon Tele. 11⅛ 90	100	91⅞	92⅛	−1⅛	−3⅛	13.39
Nova Scotia Pr. 11⅜ 91	100	91⅛	92⅛	−1⅞	−3	13.64
Ontario Hydro 11⅛ 94	200	89⅞	90⅛	−0⅛	−2½	13.50
PK Banken 12 90 WW	75	91⅛	91⅞	−0¼	−2⅛	14.03
Prudential 10⅞ 93 XW	150	80⅞	81⅛	−1	−2⅛	13.75
Quebec Hydro 11⅛ 92	100	†91⅛	92¼	−1⅛	−2⅛	13.07
Quebec Prov. 12⅛ 94	150	95⅛	95⅝	−1⅛	−2	13.09
Royal Bk. Can. 11½ 89	100	91⅛	92¼	−1⅛	−2⅛	13.90
Rural & Ind. Bk. 12 91	50	93⅛	93⅝	−0⅛	−1⅛	13.52
Sears O/S Fin. 11½ 88	125	94½	94⅞	−2⅛	−3⅛	13.17
Sears O/S Fin. 11⅛ 91	150	92⅞	93⅛	0	−1⅛	13.20
S. Pac. O/S Fin. 11⅝ 89	75	†89	89½	−1	−3	14.89
Sec. Pac. O/S F. 12 92	100	92⅞	93⅛	−0⅛	−1⅛	13.45
SEK 11⅛ 89	100	92	92½	−0⅛	−1⅛	13.80
Shearson/Amex 12⅛ 94	100	92⅛	92⅝	−0¼	−1⅛	13.66
Sweden Kingdm. 12⅜ 88	200	95⅛	95⅝	−0⅛	−1⅛	13.71
Texas Inst. Int. 11⅞ 91	150	90⅝	91⅛	−1⅛	−3	14.01
Tokai Asia 12¼ 91	100	91⅜	92¼	−1⅛	−2⅞	14.13
World Bank 11⅛ 90	200	90¼	90⅝	−0⅛	−1⅞	13.61
World Bank 11⅛ 89	200	92¾	93¼	−0⅛	−2	13.43
World Bank 12 93	200	93	93½	−0⅛	−2⅛	13.27
Yasuda T. & F. 12⅞ 89	100	93⅞	94⅜	−1⅛	−2⅛	14.09

Average price changes... On day −0⅞ on week −2¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7⅞ 94	125	99⅛	99⅞	−0⅛	−0⅞	7.57
Amca Intl. 8¾ 91	100	100⅛	100⅞	−0⅛	−0⅛	8.16
ANAS 8½ 91	150	100⅛	100⅞	−0½	−0¼	8.38
Austria, Republic 7⅞ 94	200	97⅞	98½	−0⅛	−0⅛	7.96
Baxter Travenol 7¾ 94	200	96⅝	97⅛	−0⅞	−1	7.69
Credit National 8⅛ 94	200	98½	99⅛	−0⅛	−1	8.29
Degussa Int. Fin. 7½ 94	100	100⅛	100⅞	0	−0⅛	7.42
EEC 8 92	200	99	99⅛	+0⅛	−0⅛	8.10
EIB 8 91	250	99½	99¾	−0⅛	−1⅛	8.19
ESCOM 8 92	150	97⅞	98⅛	−0¼	−0½	8.31
Ferrovie Dello St. 8 91	100	99⅛	99½	−0⅛	−0⅞	8.17
Finland Rep. 7½ 91	150	96⅞	97⅛	−0⅛	−0⅛	7.95
Int. Standard Ele. 7⅛ 90	100	98⅛	99⅞	−0¼	−2⅛	7.46
Megal Fin. 8¾ 94	150	99⅛	100	−0⅛	−0⅛	8.30
Mitsubshi. H. 3½ 89 WW	300	98	99⅛	−0⅞	−3⅛	3.64
Mitsubshi. H. 3½ 89 XW	200	84⅞	85⅛	−0⅛	−0⅛	7.25
Nippon Flr. 3½ 89 WW	30	97⅞	98⅛	0	+1⅛	3.96
Nippon Flour 3½ 89 XW	30	83⅞	84⅛	−0⅛	0	7.53
OKB 7½ 88	100	98⅞	99⅛	−0⅛	−0⅞	7.68
Pepsico O/S Fin. 7¼ 94	250	98⅛	98⅞	−0½	−0⅞	7.47
Reynolds O/S F. 7⅞ 94	125	100	100⅛	−0¼	−0⅛	7.44
SNCF 6⅛ 93	100	100	100⅛	−0⅞	−0⅛	6.00
Sth. Africa Rep. 8½ 91	200	100⅞	101⅛	0	−0⅛	8.30
World Bank 7⅞ 89	100	99⅝	100⅛	−0⅛	−1	7.74
World Bank 8 93	300	98⅛	98⅞	−0⅛	−2	8.22
World Bank 8 94	200	98	98⅛	−0⅛	−2⅛	8.24

Average price change... On day −0⅛ on week −1½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6 94	100	100½	100⅞	0	0	5.91
Australia Comm. 5⅞ 96	60	97½	97¾	−0½	−1⅛	5.40
Austria Republic 5½ 94	150	98½	98⅞	+0½	−0⅛	5.69
Cofiroute 7 94	80	102	102⅛	−0⅛	−0⅛	6.69
Consol. Pap. 6⅛ 94	200	98½	98⅞	0	−1⅛	6.44
EIB 6⅞ 96	125	101¼	101½	+0⅛	+0⅛	6.58
Elec. Power Dev. 5⅞ 93	100	99⅛	99⅝	+1	−1	5.67
Finland Republic 5⅞ 94	[illegible]	98¼	98½	+0⅛	−1⅛	5.97
Int-Am Dev Bank 6 96	100	100	100⅛	+1⅛	−0⅛	5.98
Japan Dev. Bank 5⅝ 94	100	98⅞	99⅛	−0⅛	−1⅛	5.63
Japan Fin. Corp. 5½ 94	100	97½	97¾	−1½	−1⅛	5.82
Kyushu Elc. Pwr. 5⅝ 92	100	99	99⅛	−0⅛	−1½	5.76
Lonrho Int Fin 6⅞ 94	100	99⅛	99⅝	−0⅛	−1⅛	6.44
Nat. Aust. Bk. 5⅞ 94	100	99½	99⅞	0	−1	5.81
Newcastle 6⅛ 94	175	100	100⅛	−0⅛	−1⅛	6.23
Nippon Express 5⅞ 94	100	96⅝	97	0	−2⅛	6.31
Nippon Tel. & T. 5⅞ 93	100	†100⅛	100⅝	−0⅛	−1⅛	5.88
Nip. Yusen K. K. 5⅞ 92	100	99½	99⅞	0	−1	5.81
OKB 5¾ 92	100	99½	99¾	−0½	−1⅛	5.81
Soc. Lux. Cpt. 5⅝ 97	100	†99⅛	100¼	0	−0½	5.74
Spain Kingdom 6¾ 92	100	100⅛	101	0	0	6.11
Sweden Kingdom 5⅞ 94	125	99	99⅛	+0⅛	−0½	5.87
Tohoku El. Pwr. 5⅞ 92	100	99	99⅛	+0⅛	−0⅛	5.89
Transcanada Pipe 5½ 92	100	97½	97⅞	−0⅛	−2⅛	5.99
World Bank 5¾ 94	200	98⅞	99	+0⅛	−0⅛	5.90

Average price changes...On day 0 on week −1

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 7⅜ 94	15	98¼	98⅞	−0⅛	−0⅛	7.57
Eurofima 7¼ 94	10	98¼	99⅛	−0⅛	−0½	7.54
Int.-Am. Dv. Bk. 7⅞ 93	15	99⅛	100⅛	−0½	−0⅞	7.84
New Zealand 7⅞ 89	15	100⅞	101⅛	−0⅛	−0⅞	7.32
World Bank 7⅛ 90	20	99½	100	−0⅛	−0⅛	7.65

Average price changes...On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Br. Col. Hyd. 12 93 C$	125	93½	94	−0⅛	−0⅛	13.15
Br. Col. Tel. 12¼ 99 C$	70	94	94½	−0⅛	−0⅛	13.13
Canadn. Oc. 12⅞ 89 C$	60	†93⅞	94⅛	−0⅛	−0⅞	13.30
EIB 12⅛ 91 C$	50	†95⅞	96	−0⅛	−0⅛	13.00
Loblaw 12½ 90 C$	35	†93	93½	−0⅛	−1⅛	14.09
Montreal City 12 90 C$	50	†95⅞	96⅛	−0⅛	−1⅞	12.87
World Bank 12⅛ 90 C$	75	†96⅝	97⅛	−0⅛	−0⅞	12.95
EIB 11⅛ 96 ECU	50	100⅞	101⅞	0	+0⅛	11.02
Royal B Cn 10⅞ 89 ECU	85	98	99	0	+0⅛	10.90
Amro Bank 6 89 Fl	200	98⅛	98⅞	−0⅛	−0⅛	6.35
Amro Bank 8⅛ 88 Fl	100	102	102½	−0⅛	−0⅛	8.10
Bk Mees & H. 8⅛ 89 Fl	100	99	99½	−0⅛	−0⅛	8.43
Int. Stand. El. 8⅛ 89 Fl	100	100⅞	101⅛	+0⅛	−0⅛	8.19
PHP 8⅛ 89 Fl	75	99⅛	99⅝	0	−0⅞	8.33
Rabobank 9 89 Fl	100	102⅞	103⅛	−0⅛	−0⅛	8.13
OKB 14 88 FFr	400	101	102	−0⅛	0	12.89
Solvay et C. 14½ 89 FFr	200	101⅛	102⅛	0	+0⅛	13.21
Ciba-Geigy Int. 6⅛ 90 £	25	101	103	0	+1	6.46
Commerzbank 11½ 90 £	25	98⅛	99⅛	−0⅛	−1⅛	11.66
CNCL Europe 11⅛ 92 £	50	94¼	94⅞	−1⅛	−1⅛	12.50
Denmark 10⅛ 89 £	75	94⅛	95	−0⅛	−1⅛	12.26
EEC 11⅛ 94 £	50	96⅛	96⅞	+0⅛	−1⅛	11.98
EEC 11⅞ 90 £	50	97½	98⅛	−0⅛	−1⅛	12.24
EIB 10⅛ 92 £	50	92½	92⅞	−0⅛	−2⅛	12.28
Finland Rep. 11⅞ 88 £	50	99⅛	100⅛	−0⅛	−1⅛	11.79
Forsmarks 10⅞ 89 £	40	94⅛	94⅞	−0⅛	−1⅛	11.42
IBJ 11⅛ 95 £	30	96⅛	97⅛	−0⅛	−1⅛	12.09
III 10⅛ 93 £	25	93	93⅞	−0⅛	−1⅛	11.93
Int. Stand. El. 11⅛ 89 £	50	97	97⅞	−0⅛	−1⅛	11.85
Ireland 11⅛ 94 £	50	92⅛	93	−1⅛	−2⅛	12.69
SNCF 11⅛ 94 £	50	92⅛	93	−0⅞	−2⅛	12.58
World Bank 10⅛ 89 £	100	93⅛	94⅛	−1⅛	−2⅛	12.24
Electrolux 10 89 LuxFr	500	98⅞	99⅛	0	+0⅛	10.32
CNCL 10⅛ 93 LuxFr	600	99⅛	100⅛	+0⅛	+0⅛	10.70

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¼ 96	0¼	†98	98½	15/9	10.81	11.01
BBL Int. 5 98	0⅛	98⅞	98⅞	11/10	11.19	11.39
Banca Naz Lavor 5¼ 91	0¼	†98½	99	26/10	11.44	11.58
Bank of Montreal 5 96	0¼	99⅛	99½	27/10	11.19	11.26
Banque Indosuez 5¼ 99	0⅛	98⅞	99	21/9	11.06	11.18
Barclays O/S I. 5 2004	0⅛	97⅛	97⅞	2/9	10.56	10.81
BFC Fin. 5⅛ 98	0¼	98⅞	99⅛	1/6	10⅛	10.48
Commerzbk. 5⅛ 98 XW	0	99	99⅛	21/5	10	10.08
Creditanstalt Bk. 5 96	0¼	97⅛	97⅞	23/8	10⅛	10.74
Dai-Ichi Kangyo 5⅛ 89	0⅛	98⅛	99	10/9	5⅛	5.32
Dresdner Fin. 5⅛ 89	0	99⅛	99⅞	23/5	10⅛	10.33
EDF 5⅛ 99	0⅛	98⅞	98⅞	22/8	10.56	10.75
Ferrovie Stato 5⅛ 89	0¼	98⅛	98⅞	31/8	10.69	10.82
Lloyds Euro. 5 2004	§0⅛	97⅞	98	18/10	11.31	11.56
Midland Int. Fin. 5 99	§0⅛	97⅞	98⅛	6/9	10.56	10.76
Mitsui Finance 5⅛ 96	0⅛	98⅛	98⅞	1/9	10.56	10.72
Mort Bk Denmark 5⅛ 99	§0⅛	98⅛	99⅛	11/8	11	11.00
Nat. West. Perp. 6 89	0.325	99⅞	100⅛	10/5	5	5.00
Neste Oy 5⅛ 94	0⅛	98⅞	99	23/8	10.56	10.99
Oster Land 5⅛ 99	§0⅛	97⅞	98⅛	11/10	11.19	11.43
Queensland Coal 5⅛ 96	0⅛	99⅛	99⅞	9/11	11⅛	11.65
Societe Gen. 5⅛ 94	0⅛	98⅞	98	15/9	10.16	10.30
Spain 5⅛ 97	0⅛	97⅞	98⅛	23/8	10.56	10.78
Sweden Kdgm. 5⅛ 2024	0⅛	98	98⅛	22/9	11.16	11.40
Takugin 5⅛ 94	§0⅛	98⅛	99⅛	15/9	10	10.91

Average price changes...On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
BB Bwn. Boveri 4¼ 95	2/84	108	†98	99⅛	−0⅛	1.36
Daiwa Sec. Co. 5½ 98	10/83	481.8	†126⅛	128	+0⅛	−4.74
Fanuc 3⅛ 99	1/84	8142	131⅞	132⅛	−0⅛	27.88
Fujitsu 3 99	6/84	1320	97⅞	98⅞	−0⅛	0.44
Hitachi Cable 5⅛ 96	2/82	515	145⅛	147	−1⅛	−5.09
Honda Motor 5⅛ 98	6/83	884	136⅛	136⅛	+1	−4.50
Konishiroku Ph. 4 98	10/83	873	96⅛	96⅞	−0⅛	1.21
Kyowa Hakko 5⅛ 97	2/83	782	122⅛	124⅛	−1⅛	1.09
Minebea Co. 5⅛ 98	5/83	687	108⅛	110⅛	−1⅞	−5.86
Mitsubishi Elec. 5⅛ 99	6/83	398	108	109	−1⅛	−4.52
Mitsubishi Heavy 4⅛ 99	1/84	253	100⅛	101⅛	+0⅛	−4.81
Murata 3½ 99	2/84	2538	117⅛	118⅛	+0⅛	21.49
Nippon Oil Co. 3⅛ 99	3/84	1062	109⅛	110⅛	−1⅛	−3.74
Nippon Oil Co. 5⅛ 98	4/83	984	120⅛	121⅛	−0⅛	−4.98
Nissan Motor 5⅛ 98	4/83	700	106⅛	107⅛	−0⅛	8.77
Olympus Optic. 6⅛ 97	12/82	1157	95⅛	96⅛	−1⅛	9.97
Ono Pharm. Co. 3⅛ 98	3/84	9480	154⅛	156⅛	+0⅛	2.36
Orient Leasing 5⅛ 98	6/83	2680	147⅛	148⅛	−0⅛	−5.38
Secom 5 98	11/83	2920	181⅛	183⅛	−9⅛	−3.62
Yamaichi Sec. Co. 5 98	6/83	449.5	128⅛	129⅛	+0⅛	−3.24
Yamanouchi Ph. 4 98	10/83	1808	96⅛	97⅛	−0⅛	23.10
Nippon Oil 2⅛ 92 SwFr	9/84	1062	113	114	0	−5.33
Nippon Shin. 2 92 SwFr	3/84	801	97⅛	98⅛	−0⅛	18.77
Sottcu Ppr. 2⅛ 92 SwFr	4/84	677	116⅛	117⅛	+2⅛	−4.04
Asics 5 92 DM	12/83	530	106	107	−1⅛	15.50
Sum Realty 6⅛ 92 DM	2/83	385	184⅛	185⅛	−3	−4.57

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week ...	6,068.3	11,781.3
Previous week	8,444.7	13,636.4
Other bonds		
Last week ...	1,530.2	1,123.3
Previous week	1,864.2	2,191.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on May 11

This announcement appears as a matter of record only.

U.S. $785,000,000

Multi-Market
Non-Recourse Project Financing
for the acquisition of working interests in the

Central Queensland Coal Associates
and
Gregory Joint Ventures

(managed and operated by Utah Development Company)

by

The Broken Hill Proprietary Company Limited
Queensland Coal Trust
Pancontinental Mining Limited

Proceeds from this financing have been applied to the purchase by The Broken Hill Proprietary Company Limited ("BHP") (through subsidiaries), Queensland Coal Trust ("QCT") and Pancontinental Mining Limited ("Pancontinental") (severally, the "Borrowers") of working interests in the Central Queensland Coal Associates Joint Venture ("CQCA") formerly held by Utah International, Inc., including the Blackwater mine formerly owned by Utah Development Company, and the purchase of working interests in the Gregory Joint Venture ("Gregory") from a subsidiary of BHP. CQCA and Gregory together have the capacity to produce over 26 million tonnes per annum of high grade coking coal from mines located in Queensland, Australia. BHP, QCT and Pancontinental own 35%, 21.75% and 3% interests in CQCA and 47%, 21.75% and 3% interests in Gregory, respectively. The loans ("Production Loans") and guarantees and letters of credit ("Production Credits") are governed by two master Production Loan and Credit Agreements, which provide $664,400,000 and $120,600,000 for the Borrowers' interests in CQCA and Gregory, respectively. The Production Loans and Production Credits are repayable over 12 years out of the proceeds from the sale of CQCA and Gregory coal, are secured by a first charge over each Borrower's interest in CQCA and Gregory (except that QCT has charged only a 12% interest in CQCA and Gregory) and are non-recourse to the Borrowers.

The Production Loans and Production Credits are provided in the following tranches:

U.S. $401,000,000
Bank Guarantee Facility
and related
Euro-Floating Rate Note Issues

U.S.$270,000,000
Bank Letter of Credit Facility
and related
U.S. Commercial Paper Program

U.S. $114,000,000
Eurodollar Production Loans

The undersigned acted as financial adviser to BHP, which arranged this financing.

The First Boston Corporation

April 1984

This announcement appears as a matter of record only.

U.S. $90,000,000

Project Commercial Paper Program
for

Queensland Coal Ventures Finance Limited

supported by an irrevocable Letter of Credit provided by

The Industrial Bank of Japan, Limited
(New York Branch)

The 12 year program provides a component of the funding of the acquisition of working interests in the Central Queensland Coal Associates and Gregory Joint Ventures (the "Projects") in Queensland, Australia, by The Broken Hill Proprietary Company Limited (through subsidiaries), Queensland Coal Trust and Pancontinental Mining Limited (the "Joint Venturers"). The Letter of Credit, in which other banks share risk participations, is governed by master Production Loan and Credit Agreements, is secured by each Joint Venturer's share of Project assets and is non-recourse to the Joint Venturers.

The undersigned has been appointed exclusive dealer for this commercial paper progrom.

The First Boston Corporation

April 1984

This announcement appears as a matter of record only.

U.S. $90,000,000

Project Commercial Paper Program
for

Queensland Coal Ventures Finance Limited

supported by an irrevocable Letter of Credit provided by

The Long-Term Credit Bank of Japan, Limited
(New York Branch)

The 12 year program provides a component of the funding of the acquisition of working interests in the Central Queensland Coal Associates and Gregory Joint Ventures (the "Projects") in Queensland, Australia, by The Broken Hill Proprietary Company Limited (through subsidiaries), Queensland Coal Trust and Pancontinental Mining Limited (the "Joint Venturers"). The Letter of Credit, in which other banks share risk participations, is governed by master Production Loan and Credit Agreements, is secured by each Joint Venturer's share of Project assets and is non-recourse to the Joint Venturers.

The undersigned has been appointed exclusive dealer for this commercial paper program.

The First Boston Corporation

April 1984

NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — MAY 1984

U.S. $450,000,000

Queensland Coal Finance Limited

(Incorporated under the laws of the State of Victoria)

Guaranteed Floating Rate Notes Due 1996

Unconditionally guaranteed as to payment of principal and interest by

The Bank of Tokyo, Ltd.

(A Japanese Corporation)

of which U.S. $355,000,000 is being issued as the Initial Tranche

Credit Suisse First Boston Limited
Bank of Tokyo International Limited

Continental Illinois Capital Markets Group
Deutsche Bank Aktiengesellschaft
Amro International Limited
Bankers Trust International Limited
Banque Nationale de Paris
Commonwealth Trading Bank of Australia
County Bank Limited
Dai-Ichi Kangyo International Limited
Enskilda Securities (Skandinaviska Enskilda Limited)
Fuji International Finance Limited
Kidder, Peabody International Limited
Lloyds Bank International Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A.
Mitsui Trust Bank (Europe) S.A.
Morgan Stanley International
National Commercial Banking Corporation of Australia Limited

Abu Dhabi Investment Company
Algemene Bank Nederland N.V.
Arab Banking Corporation (ABC)
Australia and New Zealand Banking Group Limited
BankAmerica Investment Banking Group
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
Banque Indosuez
Banque Paribas
Baring Brothers & Co., Limited
Blyth Eastman Paine Webber International Limited
Chase Manhattan Capital Markets Group (Chase Manhattan Limited)
Chemical Bank International Group
CIBC Limited
Citicorp Capital Markets Group
Commerzbank Aktiengesellschaft
Crédit Commercial de France
Crédit Lyonnais
Creditanstalt-Bankverein
Daiwa Europe Limited
Dresdner Bank Aktiengesellschaft
First Chicago Limited
Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
Grindlay Brandts Limited
Gulf International Bank B.S.C.
Hambros Bank Limited
IBJ International Limited
Kleinwort, Benson Limited
Kredietbank N.V.
Kuwait International Investment Co. s.a.k.
LTCB International Limited
Manufacturers Hanover Limited
Mitsubishi Finance International Limited
Mitsui Finance Europe Limited
Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd
National Bank of Kuwait S.A.K.
The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International (HK) Ltd.
Nomura International Limited
Orion Royal Bank Limited
Saitama International (Hong Kong) Limited
Salomon Brothers International Limited
Sanwa Bank (Underwriters) Limited
Saudi American Bank
Saudi International Bank (Al-Bank Al-Saudi Al-Alami Limited)
Société Générale
Société Générale de Banque S.A.
Standard Chartered Merchant Bank
State Bank of New South Wales
Sumitomo Finance International
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Bank Corporation International Limited
The Taiyo Kobe Bank (Luxembourg) S.A.
Takugin International Bank (Europe) S.A.
Tokai International Limited
Toronto Dominion International Limited
Union Bank of Switzerland (Securities) Limited
S.G. Warburg & Co. Ltd.
Wardley
Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited
Yokohama Asia Limited
Zentralsparkasse und Kommerzialbank Wien

NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — MAY 1984

U.S. $46,000,000

Queensland Coal Finance Limited

(Incorporated under the laws of the State of Victoria)

Floating Rate Notes Due 1996

Supported by an irrevocable standby Letter of Credit issued by

Bank of America
National Trust and Savings Association

Credit Suisse First Boston Limited
BankAmerica Capital Markets Group

–Members of the Tender Panel–

Amro International Limited
Australia and New Zealand Banking Group Limited
BankAmerica Capital Markets Group
Bank of Montreal
Bankers Trust International Limited
Banque Bruxelles Lambert S.A.
Chase Manhattan Capital Markets Group (Chase Manhattan Limited)
CIBC Limited
Citicorp Capital Markets Group
Continental Illinois Capital Markets Group
County Bank Limited
Credit Suisse First Boston Limited
CTB Australia Limited (Wholly owned subsidiary of Commonwealth Trading Bank of Australia)
Goldman Sachs International Corp.
IBJ International Limited
Kleinwort, Benson Limited
LTCB International Limited
Mitsui Finance International Limited
The National Commercial Banking Corporation of Australia Limited
Nomura International Limited
Orion Royal Bank Limited
Saitama International (Hong Kong) Limited
Salomon Brothers International Limited
Sanwa Bank (Underwriters) Limited
Saudi International Bank (Al-Bank Al-Saudi Al-Alami Limited)
Sumitomo Finance International
Sumitomo Trust International Limited
Svenska Handelsbanken Group
Swiss Bank Corporation International Limited
Takugin International Bank (Europe) S.A.

UK COMPANY NEWS

Circaprint ahead at £0.3m in first half

Including £150,000 received under an insurance claim, profits of Circaprint Holdings for the half year ended February 29 1984 have moved ahead from £137,000 to £316,000. Turnover advanced from £1.84m to £2.35m.

The group makes conventional and specific printed circuit boards, with customers including STC, Thorn-EMI, and Plessey, and was introduced to the USM in January. The order book and production levels are running at record levels, the directors state.

The insurance claim is for the loss of profits arising from the fire at the Aylesford factory. The effects of the fire have been overcome, and the newly acquired factory at Exmouth is running above expectations.

There is an extraordinary credit this time of £100,000.

Atlanta Inv. rises midway

Reflecting the merger with Construction Holdings, gross income of the Atlanta Investment Trust group expanded from £198,000 to £502,000 in the half-year ended March 31 1984, and net taxed revenue went up from £83,000 to £129,000.

The figures reflect the acquisition and also the business being generated by the two subsidiaries that became operational in the period, Atlanta Fund Managers and Atlanta Unit Trust Managers.

At March 31, net asset value per share was 136p, against 131.7p

Confidence at GKN supported by first four months results

MARKET CONDITIONS in Europe and the U.S. would continue to be favourable and in the UK overall might well show some further improvement, Sir Trevor Holdsworth, chairman of Guest, Keen & Nettlefolds, told the annual meeting, reaffirming his belief expressed in the accounts.

The directors confidence in this underlying trend had been borne out by results for the first four months of 1984. These were considerably better than in the same 1983 period and were in line with the internal budget prepared towards the end of last year.

The group manufactures a wide range of steel and engineering products.

The U.S. subsidiary of Church and Co., footwear manufacturer, had signed an agreement with Perry Ellis, to market exclusively men shoes designed by Perry Ellis in the U.S., Mr I. B. Church, chairman, told the annual meeting.

He hoped that a large proportion would be manufactured by one of the company's UK factories—Joseph Cheaney and Sons of Desborough.

The company's mens factories continued to be extremely busy, said Mr Church, with "very full orders books." Retail sales had started the year well but March was not a good month. Trading in April, however, had been excellent and 1984 looked like being a good year.

Mr Roy Waudby, chairman of Cattle's Holdings, consumer finance group, told shareholders at the annual meeting that "in 1983 we had created the conditions in which we expected another large increase in profits and while we were not completely satisfied with the outcome, we started 1984 with more optimism than I have known for a long time." He said the group had completed its rationalisation programme and was setting out on a course of planned expansion. He was expecting 1984 to set records for the group once again and trusted that shareholders could look forward to increasing outcome from their holdings.

Herman Smith loss increases to £177,000

A higher interest charge and costs relating to a related company were behind increased interim taxable losses of £177,430, against £45,574, at Herman Smith, a manufacturer and electrical engineer.

At the operating level, the group made a profit of £138,376, compared with £182,730, but costs relating to Herman Smith Hirco rose from £127,161 to £171,509 and interest charges were £73,175 higher at £194,397.

Turnover for the six months to January 14 1984, increased from £4.54m to £5.12m.

An unchanged interim dividend of 0.2p has been declared on the capital enlarged by the five-for-11 rights issue last December. A final payment of 0.3p was made last year

Yule Catto keeps up active pursuit of D. Macpherson

Yule Catto, plantation, building products and industrial chemicals group is not giving up its pursuit of *Donald Macpherson*, the Cover Plus paint manufacturer, despite Macpherson's recent acceptance of a £22.5m cash bid from Tikkurila of Finland.

Macpherson has withdrawn its earlier support for Yule Catto but the extraordinary meeting of Yule Catto's shareholders will still take place on May 15, when the bid reaches its first closing date, and Yule Catto will be forecasting "substantially increased profits and earnings per share" and has said that it intends to increase dividends significantly.

Yule Catto pointed out that its offer was the only one to comprise equity thus give accepting *Macpherson* shareholders "a continuing interest in Macpherson's recovery potential."

AB Electronics

Agreement has been reached in principle for **AB Electronics** to purchase Page Engineering (Holdings), located at Sunbury on Thames.

The price will be £7.25m to be satisfied by payment of £2m cash on completion and issue of unsecured loan notes with a value of £5.25m repayable in the next five years.

FT Share Information

The following securities have been added to the FT Share Information Service:

Connells Estate Agents (Section: Property)
Gilbert House Inv (Property)
Horne (Robert) (Ord and Non-Voting A) (Paper, Printing)
Kellock Trust (Trusts, Finance Land)
North Sea and Gen Inv (Oil and Gas)
Petranol (Oil and Gas)
Robertson Research (Industrials)
Systems Reliability (Electricals)

Messina plunges into red

THE Zimbabwe copper-producing MTD (Mangula) subsidiary of South Africa's Messina (Transvaal) has fallen back into the red with a loss of Z$602,000 (£369,000) in the six months to March 31 compared with a profit of Z$1.71m in the same period of the previous year.

The company says, however, that provided that current metal prices are maintained and costs do not continue to escalate it could earn a profit in the second half of the current year to September 30.

In the latest half-year Mangula was able marginally to increase its sales of copper and also received better prices for them. The trouble was that the extra sales revenue was overtaken by a substantial rise in working costs, notably in electricity charges and local prices of imported stores and equipment.

Commercial Bank

Commercial Bank of Near East is maintaining its dividend at 30p per £5 share for year 1983.

Profit amounted to £339,059 after providing for tax. Balance brought forward £34,591, making £373,650.

Yorklyde

Yorklyde, a Hudersfield-based cloth and rug manufacturer, pushed profits before tax up from £1.13m to £1.27m in the 12 months to end-January 1984.

The profit was achieved on turnover of £4.95m, against £4.71m, and was subject to tax of £509,015, compared with £506,976. There were special credits of £79,254 (nil) included in group profits.

A higher final dividend of 14p lifts the total payout from 18p to 20p net per 20p ordinary. The directors are proposing a one-for-one scrip to be followed by a subdivision of the 20p shares into two shares of 10p.

John Crowther

In commenting last Tuesday on the 1983 results of John Crowther which showed its continuing recovery we described the situation inherited by the present management on taking over in January 1981.

The company did face problems at the time, in common with the rest of the industry, but our comments were not intended to detract from the credit due to the previous management for undertaking the modernisation and rationalisation necessary for the revival of the company's fortunes which has already been recognised by the present management and in the Financial Times.

BIDS AND DEALS IN BRIEF

MR ROBERT MAXWELL, chairman of British Printing and Communications Corporation, the printing and publishing group, said yesterday that he had no meetings planned with Bishopsgate Trust, which has received an approach from unnamed business interests.

At the weekend, there was speculation that Mr Maxwell was in talks with Bishopsgate Trust, an investment trust group which announced that it had received an approach which may lead to an offer for the company.

Bishopsgate indicated the approach on Thursday of last week. At the close of trading on the stock market on Friday, Bishopsgate was valued, with its shares standing at 187p, at £44m.

Mr Maxwell said yesterday: "I have no meetings planned with Bishopsgate Trust. I cannot comment on rumours. The annual report of the BPCC is to be published on Monday."

* * *

Acceptances of the Vantona Viyella offer for **Miller** (Textiles) have been received in respect of 712,069 preference shares (98.9 per cent). Vantona intends to acquire compulsorily the remaining shares. The ordinary and preference offers remain open for acceptance.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Allied London Properties, Baggeridge Brick, Mayhew Brown, Cramphorn, Crystalate, Whessoe.

Finals: Advance Services, Dencora, Outwich Investment Trust, Readicut International, Stewart Enterprise Investment, Tyeone (Contractors), Warnford Investments.

FUTURE DATES

Interims—

Road Stenhouse	May 17
Scottish Investment Trust	May 24
United Scientific	May 18

Finals—

Anglo American Coal Corpn	May 15
Anglo American Corpn. of South Africa	June 4
Cobra Emerald Mines	May 29
Executex Clothes	May 18
Feedex Agricultural Industs	May 17
Henderson Administration	June 13
M.K Electric	June 28
Meyer International	June 19

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
International Garden Festival (051-236 6090) (until Oct 21) — Liverpool

Current
British Craft Trade Fair (0282 867153) (until May 15) — Harrogate

May 15-17
Micrographics '84 Exhibition and Conferences (Godalming (04868 6653)) — Bloomsbury Crest Hotel, WC1

May 15-17
OEC User Show (01-837 3699) — Cunard International Hotel, W6

May 20-23
Business to Business Exhibition (01-729 0677) — Barbican

May 21-25
International Fire Safety Conference and Exhibition (01-248 4477) — NEC, Birmingham

May 22-24
Riba computer exhibition and conference (01-637 8991) — Bloomsbury Crest Hotel

May 22-25
Chelsea Flower Show (01-834 4333) — Royal Hospital, SW3

May 29-June 1
International Wine and Spirit Trade Fair (01-940 6065) — Olympia

June 5-7
Office Automation Show and Conference (Manchester 061-832 4242) — Barbican

June 12-14
IBM Computer Users Show (01 868 4466) — Wembley

June 26-28
Computers in Personnel National Exhibition and Conference (01-946 9100) — Royal Lancaster Hotel, W2

July 2-3
Insurance Information Exchange Exhibition (0323 642449) — City Conference Centre

July 2-5
Royal Show (0203 555100) — National Agriculture Centre, Kenilworth

July 5-7
International Military Helicopter and Equipment Exhibition (01-643 8040) — Middle Wallop

OVERSEAS TRADE FAIRS

Current
International Packaging Exhibition and Display of Confectionery Machinery — INTERPACK (01-493 3893) (until May 16) — Dusseldorf

May 20-27
International Aerospace Exhibition (01-651 2191) — Hannover

May 22-25
Asian International Electronic Communications Exhibition and Conference — COMMUNICASIA (01-486 1951) — Singapore

June 4-7
Gas Turbine Exhibition and Conference (Georgia 30341) — Amsterdam

June 4-7
Robots 8 Exposition and Conference ((313) 271-1080) — Detroit

June 18-21
Viewdata and Communication Technology Exhibition — TELEMATICA (01-236 0911) — Stuttgart

June 19-22
Latin American Petroleum Show (01-549 5831) — Venezuela

June 24-27
International Fancy Food and Confection Exhibition (01-891 5051) — Washington DC

July 2-6
International Computer Technology Exhibition—COMPUTA (01-705 6707) — Singapore

July 12-15
Graphic Arts Show—GUTENBERG U.S.A. (01-318 0900) — Chicago

BUSINESS CONFERENCES

May 15
Business Briefings: Action for Lloyd's underwriters, taxation planning and advice (01-381 1284) — Waldorf Hotel, WC2

May 18
Institute of Marketing: Marketing for profit (Bourne End (06285) 24922) — Royal Lancaster Hotel, W2

May 16
Institution of Taxation: Finance Bill 1984 (01-235 8847) — InterContinental Hotel, W1

May 16
Longman Seminars/International Media Law: the media and the law (01-242 2548) — Barbican

May 22
International Reports/FT: Sovereign debt and the banks ((212) 477 0003) — New York

May 22
ESC: USM, listing or private placing? (Uppingham (0572) 822711) — Piccadilly Hotel, W1

May 22-24
Royal Institute of Navigation: Global civil satellite navigation systems (01-589 5021) — Novotel, W6

May 23-24
FT Conference: Sitev—World FT motor conference (01-621 1355) — Geneva

May 24
Institute of Directors: How you and your business can get the best out of the business expansion scheme (01-839 1233) — 116 Pall Mall, SW1

May 24
American Tax Institute: Unitary taxation and combined worldwide reporting in the U.S.) (01-256 3370) — Marriott Hotel, WC2

June 5-6
FT Conference: The electronic office (01-621 1355) — Intercontinental Hotel, W1

June 14
Insig: Strategic planning in banking, the new payment systems choices ((1) 763.07.24) — Paris

June 18-19
FT Conference: The European Offshore in 1984 (01-621 1355) — Oslo

June 20-21
FT Conference: World electronics — future strategies for Europe (01-621 1355) — Intercontinental Hotel, W1

June 25-26
FT Conference: Foreign Exchange Risk (01-621 1355) — Dorchester Hotel, W1

June 27
Oyez IBC: IOI personal tax planning points (01-236 4080) — Portman Hotel, W1

July 1-7
The Institute of Petroleum: 10th Energy Seminar (01-636 1004) — Robinson College, Cambridge

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

APPOINTMENTS

Senior position at Babcock Industrial

Mr Andrew P. C. Thomson, general manager of Babcock Power's Dumbarton tube works, has been appointed managing director of the industrial and electrical division of BABCOCK INDUSTRIAL AND ELECTRICAL PRODUCTS. He will be responsible for three operating units covering 12 companies in the electrical distribution, general manufacturing and process control and instrumentation fields. He joined Babcock Power in 1977 as head of the Dumbarton operation and in 1979 was also appointed chief executive of Babcock Calorizing.

★

Mr Tim Morris, chairman of the Birmingham Post and Mail, is the new president of the NEWSPAPER SOCIETY. He succeeds Mr Robert Stiby, president of the Croydon Advertiser, whose year of office has ended

★

Following the acquisition of the Chrisfield and MDC Plastics businesses by PEERLESS, Mr Geoffrey Gahan has become a member of the Peerless group board and chairman of the Peerless plastics foam moulding and plastic packaging companies. Mr Clive Jordan, managing director of Peerless Stampings also joins the main board. Mr Godfrey Thompson becomes chairman of BSK Aluminium, an aluminium die-casting subsidiary, in addition to his directorship of the three plastic companies. Mr Bill Jordan is appointed managing director of Peerless Plastics Ltd.

★

Mr V. C. (Vic) Miles, Concentric Group director has been appointed president of the SOCIETY OF BRITISH GAS INDUSTRIES.

★

COMPASS HOTELS has restructured its board. Mr R. D. Plant and Mr S. J. Tee have become joint managing directors. Joining the board as non-executive directors are: Mr J. Forbes, previously vice chairman of Tate and Lyle, and Mr P. E. J. Leppard, formerly personnel director of British Transport Hotels. Mr S. J. Tee remains chairman.

★

Following the retirement of Mr Ken Dabell from the board of ALEXANDER SHAND (HOLDINGS), Mr Stuart McLoughlin has been appointed group managing director. Mr McLoughlin, who joined the group in 1963, was deputy group managing director. The group is part of Charter Consolidated.

★

Mr R. J. S. Palmer has been appointed a director of WESTMINSTER AND COUNTRY PROPERTIES.

★

Mr David Hillyard has joined the board of the European operation of DIVERSEY, as director of marketing, institutional and laundry.

★

Mr J. Renyi has been appointed a director of LAKE VIEW INVESTMENT TRUST.

★

PRINCE OF WALES HOTELS, a subsidiary of Taddale Investments, has appointed Mr David Walsh, Mr Michael Carlton, Mr Barry Conrad and Mr James Rempe directors. Mr James Mawdsley, Mr Derek Taylor and Mr Reuvin Geffner have resigned following the acquisition of a majority interest by Taddale.

★

Mr Michael J. Rock has joined Birmingham consultants, BRIAN WOODHEAD & CO as executive director, to be based in the London region. He was a director of ITS, a marketing consultancy.

★

Mr Jack St Clair has been appointed managing director of WENDY RESTAURANTS (UK). He succeeds Mr David Mitchell who leaves to join Berni Inns. Mr St Clair, who takes up his position on June 1, is currently based in the U.S. where he is regional director responsible for Wendy's franchise markets in Canada, Washington DC, Pennsylvania, Baltimore, New York and St Louis. Wendy operates 11 restaurants in the UK.

★

APOLLO METALS has appointed Mr J. H. Giddings as director, Apollo Metals (Birmingham); Mr K. Ingle as director, Apollo Metals (London); and Mr J. Stark as director, Apollo Metals (Manchester). All three were formerly general managers.

★

Mr R. V. Gill, chairman of Advance Laundries, has been appointed president of the newly-formed ASSOCIATION OF BRITISH LAUNDRY, CLEANING AND TEXTILE RENTAL SERVICES.

★

Mr P. S. S. Macpherson has resumed his directorship of ROBERT FLEMING & CO following a two-year assignment as president of Robert Fleming Inc in New York. Miss C. A. Llone has been appointed company secretary.

★

The READERS DIGEST ASSOCIATION has appointed Mr George V. Grune as chairman and chief executive officer. The previous president, Mr John A. O'Hara, will be retiring in June.

FINANCIAL TIMES STOCK INDICES

	May 11	May 10	May 9	May 8	May 4	May 3	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	79.75	80.13	80.48	80.54	81.02	81.40	83.77	79.75	127.4	49.18
Fixed Interest	85.00	85.25	85.38	85.55	85.86	85.59	87.48	85.00	150.4	50.53
Industrial Ord	871.0	884.0	896.2	904.8	915.4	928.8	928.8	770.3	922.8	49.4
Gold Mines	618.6	622.2	642.2	652.8	665.1	671.4	711.7	520.2	734.7	43.5
FT-Act. All-Share	511.65	517.16	524.86	527.28	534.13	536.71	536.71	470.03	536.71	61.92
FT-SE 100	1078.7	1094.4	1109.9	1117.6	1134.0	1141.6	1141.6	997.5	1141.6	997.5

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
270	100	10.8	105	88	Assoc Brit Ports	88	−3	8.5	—	4.8	—
100	65	2.11	87	65	BaillieGiffordTechngy	86		—	—	—	—
915	F.P.	15.6	£11	£10	Biotechnology Inve 2c	£10¼		FQ10c	—	0.7	—
196	F.P.	10.8	210	145	✠Body Shop 5p.	205		u1.8	2.2	1.3	52.6
100	F.O.	3.5	105	97	C. J. R. Pacific Inv. Tst	104		—	—	—	—
—	F.P.	3.6	45	27	Do. Warrants	37	−1	—	—	—	—
••	F.P.	—	50	12½	✠Cluff Oil Warrants	27	−1	—	—	—	—
—	F.O.	—	128	113	Commerc'lBkWales£1	113	−2	7.5	2.1	9.5	6.5
—	F.O.	—	27	24	Cons.Venture125W'rts	26		—	—	—	—
42	F.P.	—	48	41	Delaney Group 10p	42	+1	u2.2	2.9	7.6	7.3
—	F.O.	10.5	41	37	Eng. & Int'l Tst. War.	37		—	—	—	—
190	F.P.	11.5	205	185	First Leisure Corp. £1	185	−8	u6.0	2.1	4.6	12.1
†US$5	40¢	18.5	24	19	Fledgeling Japan 1c	18		—	—	—	—
‖	F.P.	18.5	25	19	Do. Warrants	19		—	—	—	—
135	F.P.	15.6	170	155	Greggs 20p.	158	−2	43.4	2.7	3.1	13.0
75	F.O.	11.5	80	80	✠Havelock Europa10p	84		bg.1.6	2.4	2.7	18.8
150	F.O.	11.5	168	140	✠MeadowF'mProd5p	152	2	bg3.85	2.7	3.4	12.3
10	F.O.	22.5	18	10	✠Morris W. FmeA10p	16	−1	bg0.55	4.0	5.2	14.6
153	F.P.	27.4	80	67	OspreyCommunic'tns	160		N1.0	—	2.4	—
80	F.P.	25.5	104	100	✠Panthcrella	100		u3.3	2.5	4.7	12.2
62½	F.P.	18.5	80	70	✠Olan Invest. 10p	70	2	u1.1	3.6	2.2	17.7
‖	F.O.	—	278	263	Olantallen & Gen Inve	270	2	4.0	5.1	2.1	17.9
70	F.P.	25.5	100	90	✠Ramco Oil Ser's10p	98	1	u0.7	5.3	1.0	18.6
70	F.O.	—	72	68	Spratt 50p	70		b1.5	—	3.1	—
50	F.O.	—	56	51	Do. Warrants	61		—	—	—	—
95	F.O.	—	105	100	✠Sutherland (E.T.)	100		u3.33	1.9	4.8	15.0
143	F.P.	27.4	192	165	✠Tod (W. & J.) 5p	165	−5	—	2.1	2.2	27.4
—	F.P.	—	42	34	Utd. Biscuits Warr'nts	36	−1	bg2.9	—	—	—
885	F.P.	—	312	303	Wordplex 50p	305	−1	H1.7	—	0.8	12.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
98.19	£25	27.7	25¼	23⅝	Border & S'thern 11½% Deb. Stk. 2014	25⅛	−¼
100	F.P.	8.6	105	101	Brittannia Arrow 8½ Cnv.Uns.Ln. 95/2000	103	
97.078	£25	1.7	98⅝	25¼	Brixton Est. 11¼pc 1st Mort. Deb. 2023	26⅞	
96.764	£25	—	24	23⅛	EDF 11¾% Ln. 2009.12	23¾	
100	F.O.	10.8	93½	90½	Eng. & Intl. Tst. 10⅜% Deb. 2014	90½	−¼
98.045	£30	26.0	30⅝	20⅜	Finland 11½% Ln. 2009	30⅝	−⅛
‖	F.P.	15.6	128	110	Home Charm 7% Cnv. Uns. Ln. 1987/2004	118	−1
89.714	F.O.	20.4	105¾	97⅛	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	97⅛xd	−⅜
§86.711	£25	15.6	27¼	23⅝	MEPC 10½pc 1st. Mort. Deb. 2024	23⅝	−⅛
—	F.P.	—	100¼	99⅞	Nationwide 10¾% 15.4.85	99¾	
—	F.P.	—	100	99⅞	Do. 9⅛% 7/5/85	99⅞	
§97.60	£25	12.7	30⅛	25½	Province de Quebec 12¼% Ln. 2020	25½	−⅜
98.58	F.P.	11.5	108½	107	RT City of London 11½pc Deb. 2014	107	−¼
140p	F.O.	—	122	120	Spratt Cum Pt. Prf. £1	120p	
98.641	£30	7.8	30	27½	Trinidad & Tobago 12¼% Ln. 2009	27½	−½

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
400	F.O.	17.5	553	480	A. B. Electronic	530	−10
75	F.O.	31.5	110	109	Alocom Intnl. 10p.	110	
260	Nil	24.5	67pm	40pm	Bank of Scotland £1.	40pm	−10
98	F.O.	15.6	115	95	Brit. Car Auction 10p.	107	
A$7.5	A$4	25	542	478	Broken Hill Prop. A$2	504	
70	Nil	16.5	12pm	8½pm	Brown Boveri Kent	10pm	−1
DM250	Nil	17.5	376pm	250pm	Deutsche Bk. Dm50	275pm	
86	F.O.	23.5	110	95	Evered.	95	
450	F.O.	16.5	496	455	Exco Intl	455	−15
10	Nil	24.5	3pm	1pm	Ferguson (James) 10p	1pm	−½
68	Nil	29.5	8½pm	6pm	Fisher (A) 5p.	6pm	−3
805	F.O.	23.5	285	230	✠Garfunkels Rest 10p.	270	
R 27	Nil	18.5	225pm	66pm	Gencor 40c.	55pm	−25
26	Nil	8.6	50	39	Glanfield Lawrence	50§	
62	Nil	17.9	12½pm	9pm	Holt Lloyd Intnl. 10p	9pm	
25	F.O.	7.6	28	88	✠Intervision Video 10p.	28	−1
38	Nil	85.9	18pm	14pm	Manganese Bronze	19pm	
6	Nil	11.6	19pm	12pm	Norfolk Cas. 5p.	19pm	+1
4	Nil	21.5	4pm	2pm	Norton (W.E.) 10p	2pm	
139	Nil	31.5	30pm	28pm	Scottish TV 'A' 10p	26pm	−3
20	Nil	25.9	3pm	1pm	Wace Group 80p.	1pm	−½
84	Nil	28.5	85pm	41pm	Websters 6p.	41pm	−2
68	Nil	18.5	22pm	19pm	Whatlings	20pm	
117	Nil	23.5	26pm	20pm	Williams Hldgs.	22pm	+2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters (or fully-paid). ‡‡ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. ° Offered as units, comprising one bid and one N/V/A ord. ‡ No par value. $ Price at suspension. Delaney Group was formerly Birmingham Pallet.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Aitken Hume	June 14	Final 2.75
*Allied-Lyons	May 29	Final due
*Anglo American Corp SA	June 4	Final 75c
Argyll Foods	June 21	Final 2.6
AB Foods	May 23	Sec int 3.2
*Allied Irish Bank	May 23	Final 4.5
*AHZ	May 21	Interim 14cts
*Avon Rubber	May 23	Interim 1
Baker Perkins	June 23	Final 3
*Bank of Ireland	May 17	Final 10.6
*Bass	May 23	Interim 2.83
Beecham	June 2	Final 5.0
Berisford (S.&W.)	June 20	Interim 3
*Boots	May 23	Final 8
British & Comm Shipping	June 16	Final 8.5
Burnett & Hallamshire	June 23	Final 8.5
Cable and Wireless	June 13	Final 5.0
Capital and Counties	May 26	Final 3
Carless Capel	June 10	Final 1.75
*Cater Allen	May 24	Final 19.95
Charter Cons	June 21	Final 7.25
Chloride	June 17	Final nil
Chubb	June 22	Final 4.00
Coalite	June 1	Final 3.5
*Courtaulds	May 29	Final 2.26
Crest Nicholson	June 22	Interim 1.25
Dewson Ind	June 14	Final 4.3
De La Rue	June 1	Final 16.8
Electronic Rentals	June 2	Final 2.066
Elliott (B.)	June 9	Final nil
English China Clays	June 16	Interim 3.25
Extel	May 16	Final 7.5
Ferguson Indl	June 15	Final 3.5
Ferranti	June 23	Final 3.7
*Grand Metropolitan	May 15	Interim 3.875
*Great Portland Estates	June 8	Final 4.0
*Greenhall Whitley	May 17	Interim 1.79
Guinness (A.)	June 14	Final 2.675
*Habitat Mothercare	May 31	Final 4.0
Hambros	June 21	Final 37.5
Hanson Trust	June 14	Interim 2.0
Harrison and Crosfield	June 2	Final 23.5
*Heath (C.E.)	May 17	Final 8.75
Hickson Intl	June 2	Interim 3.0
Hill Samuel	June 8	Final 8.3

	Date	Announcement last year
Inchcape	May 31	Final 11.0
Intl Signal	June 14	Final due
Johnson Firth Brown	June 3	Interim nil
Johnson Matthey	June 16	Final 7.0
Kenning Motor	June 14	Interim 2.5
*Land Securities	May 17	Final 4.464
*London and Northern	May 23	Final 2.9
London O'seas Freighters	June 17	Final nil
*MK Elec	June 28	Final 5.25
*MEPC	May 30	Interim 2.0
McCorquodale	June 7	Interim 3.75
*Metal Box	June 12	Final 8.51
*Meyer Intl	June 19	Final 2.25
Minster Assets	May 25	Final 3
*Northern Foods	June 20	Interim 2.25
Pauls and Whites	June 18	Final 5.5
Pegler-Hattersley	June 8	Final 7.85
Pilkington Bros	June 10	Final 5.5
Plessey	May 26	Final 1.945
Polly Peck	May 18	Interim 9
Powell Duffryn	June 22	Final 9.55
Premier Cons	June 14	Interim 10%
RHM	May 24	Interim 1.524
*BHP	May 17	Interim 2
Racal Elec	June 22	Final 4.114
Redland	June 23	Final 5.14
Reed Intl	June 7	Final 10.0
Samuel (H.)	June 1	Final 4.25
Sainsbury (J.)	May 24	Final 2.95
*Sears	May 15	Final 2.1
*600 Group	June 7	Final due
Sketchley	June 7	Final 8.4
Staveley Inds	June 18	Final 8.5
*Tate & Lyle	May 30	Interim 4.5
Tesco	June 15	Final 2.25
Tozer Kemsley	May 15	Final nil
Trident TV	June 13	Interim 1.5
Trusthouse Forte	June 23	Interim 2
Wearwell	May 17	Interim 1.32
Wedgwood	June 21	Final 2.875
Westland	June 8	Interim 3.0
*Westpac	May 20	Interim 2.5
*Whitbread	May 22	Final 3.75
Wolverhampton and Dudley Brews	May 24	Interim 2.23

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

هكذا من الأصل

Copies of this Prospectus, having attached thereto the documents specified in paragraph 18 of Appendix III, have been delivered to the Registrar of Companies for registration.

This Prospectus includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Microvitec PLC ("the Company") and its subsidiaries (together "Microvitec" or the "Group"). The directors of the Company ("the Directors") have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Unlisted Securities Market in the Ordinary shares comprising the enlarged issued share capital of the Company. It is emphasised that no application has been made for these shares to be admitted to listing.

The Application List for the shares now offered for sale will open at 10.00 a.m. on Thursday, 17th May, 1984 and may be closed at any time thereafter. The procedure for application and an Application Form are set out at the end of this Prospectus.

MICROVITEC PLC

(Registered in England under the Companies Acts 1948 to 1981 No. 1435584)

OFFER FOR SALE BY HILL SAMUEL & CO. LIMITED

OF 7,306,120 ORDINARY SHARES OF 5p EACH AT 180p PER SHARE

SHARE CAPITAL

Authorised		*Issued and to be issued fully paid*
£1,800,000	Ordinary shares of 5p each	£1,357,775

The shares which are the subject of this Offer for Sale rank in full for all dividends hereafter declared or paid on the Ordinary share capital of the Company.

INDEBTEDNESS

At the close of business on 30th April, 1984, the Group had outstanding bank overdrafts of £580,000, leasing commitments of £101,000 and a term loan of £75,000. Save as aforesaid and apart from intra-group indebtedness, neither the Company nor any of its subsidiaries had at that time any loan capital (including term loans) outstanding or created but unissued, or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities.

BOARD OF DIRECTORS & ADVISERS

Anthony Martinez (Chairman)
Philip Ellison
Brian Thomas Tasket
Gurkirpal Singh Dhesi
Eric Iain Longman (non-executive)
All of
Futures Way, Bolling Road, Bradford, West Yorkshire, BD4 7TU

Secretary and Registered Office
Brian Thomas Tasket F.C.A.,
Futures Way, Bolling Road, Bradford,
West Yorkshire, BD4 7TU

Issuing House
Hill Samuel & Co. Limited,
100 Wood Street, London EC2P 2AJ

Stockbrokers
W. Greenwell & Co.,
Bow Bells House, Bread Street,
London EC4M 9EL and
The Stock Exchange

Solicitors to the Company
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SUMMARY OF INFORMATION

The following information should be read in conjunction with the full text of the Prospectus, from which it is derived.

Business

Microvitec's business is the design, development, manufacture and sale of computer peripherals for the rapidly expanding computer market. Microvitec has established itself as the market leader in the United Kingdom with its range of colour display monitors for alpha-numeric and graphic applications. It has also commenced manufacture and sale of colour terminals providing advanced low cost colour graphics capability and switch mode power supply units for use in computer equipment. Microvitec has recently launched a floppy disc assembly to provide additional memory capacity for microcomputers.

Trading Record

	Period to 31st December, 1980 £000	*Year ended 31st December* 1981 £000	1982 £000	1983 £000
Turnover	189	1,375	2,671	9,614
Profit/(loss) before taxation	(56)	158	195	2,513

Offer for Sale Statistics

Based on the Offer for Sale price of 180p per Ordinary share.

Ordinary shares in issue following the Offer for Sale	27,155,500
Market capitalisation	£48.9 million
Money raised for the Company (net of estimated expenses)	£4.5 million
Earnings per Ordinary share for the year ended 31st December, 1983 (on the basis of actual tax and the enlarged share capital)	5.2p
Price earnings multiple	34.6 times
Forecast net dividend per share	0.75p
Indicated gross dividend yield (on the basis of a notional full year dividend)	1.0 per cent.
Net Assets at 31st December, 1983 adjusted for the net proceeds of the Offer for Sale	£6.1 million

INTRODUCTION

Microvitec's business is the design, development, manufacture and sale of computer peripherals for the rapidly expanding computer market. Microvitec has established itself as the market leader in the United Kingdom with its range of colour display monitors for alpha-numeric and graphic applications. It has also commenced manufacture and sale of colour terminals providing advanced low cost colour graphics capability and switch mode power supply units for use in computer equipment. Microvitec has recently launched a floppy disc assembly to provide additional memory capacity for microcomputers.

Microvitec's office and manufacturing facilities are located in Bradford. At 30th April, 1984 the Group had 226 employees.

The key objectives in Microvitec's strategy, which have governed the development of the Group since its inception, are as follows:

* The design of a range of computer peripherals with high added value and which are compatible with a wide range of computer equipment.
* The establishment of a high volume manufacturing capability which is internationally competitive.
* The achievement of a high share of the United Kingdom market and thereafter of markets overseas.

HISTORY

The Company was formed in July 1979. Mr. A. Martinez, the Chairman and Managing Director, recognised that, in spite of the growing demand for micro and personal computers and the substantial advantages offered by colour over monochrome in the presentation of information, there was no colour visual display monitor in production designed expressly for the microcomputer market, which was compatible with a large number of different systems and available at a competitive price. The initial investment in the Company was made by Mr. A. Martinez, his brother who was Commercial and Marketing Director until his departure in February 1981, and a subsidiary of Investors in Industry Group plc.

Initial product development was undertaken by a small team of engineers working from an industrial unit of 2,500 square feet at Hockney Road, Bradford. The objective was to design a Low Complexity Colour Display or LCCD which would provide a high quality image and yet offer the cost and compatibility features regarded as critical to the product's success. The first range of LCCD monitors were duly launched in February 1980, with applications ranging from video games to sophisticated colour displays for a wide range of computers. In October 1980 the Company moved into a purpose built factory of 18,000 square feet owned by the City of Bradford Metropolitan District Council, where full production commenced. In response to a high level of demand for the monitors an extension was completed in May 1982, doubling the area of the premises to 36,000 square feet.

During 1982 the Company won a £25,000 prize in an Award Scheme for small, newly established businesses, which was sponsored by Hill Samuel & Co. Limited to mark its 150th Anniversary. Companies were assessed on their long term growth potential, the degree of innovation and management skills. The Company also won the 1982 Industrial Achievement Award sponsored by Bowmaker Limited and Accountancy Age in recognition of its achievement in turning an innovative idea into a profitable business.

In early 1982 the BBC approved Microvitec's "Cub" version of the monitor for use with the BBC Microcomputer and in June of that year HM Government selected Microvitec as the sole supplier of colour monitors under the "Micros in Schools" schemes.

Towards the end of 1982 Microcolour Graphics Limited ("Microcolour Graphics"), now a wholly-owned subsidiary of the Company, was established to exploit an opportunity which was identified in the rapidly expanding market for computer colour graphics. Microcolour Graphics designs, markets and supports a range of colour terminals for the professional computer market utilising the colour display technology developed by the Company.

Further development of Microvitec's premises, which now extend to 70,000 square feet, was completed in October 1983 permitting a significant expansion of production capacity for the growing range of colour monitors and new products.

On 21st April, 1984 it was announced that the Company had won the Queen's Award for Technological Achievement in respect of its development of the LCCD.

PRODUCTS

Microvitec currently manufactures colour display monitors, colour terminals, switch mode power supplies and floppy disc assemblies. In the year to 31st December, 1983 colour display monitors accounted for approximately 98% of Group turnover and are expected to continue to form a substantial part of sales in 1984 and beyond. However, the Directors are confident that Microvitec's new products, especially colour terminals will show a significantly increased contribution to turnover in 1984.

Colour Display Monitors

Colour output from most computers is in the form of three separate signals for Red, Green and Blue ("RGB") respectively. Conventional television sets require the RGB output from a computer to be encoded into video form and then modulated into a form suitable for reception and subsequently demodulated and decoded with a loss of resolution at each stage. Specialised colour monitors, however, use the three RGB signals for direct display on the cathode ray tube resulting in a much sharper image.

Microvitec has pioneered the LCCD which uses the RGB signals directly. The high level of definition obtained from the direct use of the RGB signals makes it useful in applications, such as graphics, where a clearly legible display is important. In educational applications the high performance specification and the addition of colour creates a more stimulating and interesting working environment.

Microvitec's monitors have a wide range of applications owing to the variety of computer equipment and systems with which they can interface, including:—

* Micro computers for educational and home use
* Personal computers for business use
* Computer aided interactive learning systems
* Graphics terminals
* Computer aided design terminals
* Viewdata systems (such as Prestel)
* Point of sale terminals

The monitors are currently manufactured in three screen sizes, 12 inch, 14 inch and 20 inch and to three resolution specifications, standard, medium and high. The quality of resolution of which a monitor is capable is dependent primarily on the density of pixels or dots which cover the screen.

In a high resolution monitor the pixel density is approximately twice that of a standard resolution monitor, and permits approximately twice as many columns, one character wide, to be displayed.

Standard and medium resolution monitors are suitable for most applications. However, the software produced for many leading computers now has 132 column width capability, so that the availability of a high resolution monitor with this capacity is becoming increasingly important.

Microvitec's 14 inch monitor is the only colour monitor selected under H.M. Government's "Micros in Schools" schemes which have the object of providing micro computer systems to all primary and secondary schools through a 50 per cent. grant towards the cost of the purchase of one system per school. Although no grants under the schemes are to be made available after December 1984, Microvitec monitors are supplied to over three-quarters of Local Education Authorities and the Directors believe the education market will continue to be a strong market segment as schools increase the number of systems installed.

The LCCD concept has enabled Microvitec to offer a versatile range of monitors as a result of the customised interfaces which it has developed. These interfaces are built in to the monitors and are designed to process the output from the micro and personal computers of a wide variety of manufacturers such as Acorn, Apple, IBM and Sinclair. This feature also gives Microvitec the capability to offer Original Equipment Manufacturers ("OEM") relatively short production runs of monitors adapted for specific purposes.

The competitive pricing of the monitors has opened up a wide market for colour displays, with a typical monitor for use with a micro computer retailing at under £200 (excluding VAT).

Colour Terminals

The development of the Microcolour Graphics range of terminals represents a strategic move by Microvitec to expand its product range into the market for high added value business computer peripherals, capitalising on the colour display technology developed for its colour monitors.

Although incorporating a colour display, a terminal differs in performance and application from a monitor. The addition of a keyboard, certain associated electronics and operational software enables a terminal to carry out some limited processing of data supplied from a mini or mainframe computer to which it will be linked. By combining the graphics capability of a terminal with the output from a mini or mainframe computer sophisticated colour graphic effects can be produced.

Microcolour Graphics terminals have been designed to emulate equipment manufactured by Digital Equipment Corporation, one of the market leaders in the supply of mini-computers. In addition, the Company has produced software to enable its terminals to be compatible with computers manufactured by Texas Instruments and will produce equivalent interfaces for the equipment of other manufacturers to meet demand.

The characteristics of the colour terminals make them particularly suitable for applications such as financial modelling, word processing, accountancy, stock control, sales and marketing analysis, process control monitoring, electronic mail and information display, where the availability of colour makes the information presented both more legible and more readily comprehensible.

Three terminals are currently available, all of which include the latest styling features such as a low profile keyboard and a tilt and swivel facility for the monitor.

M2200

This is the base model in the range and is priced at around £800 (excluding VAT) to be competitive with many monochrome terminals. It incorporates a medium resolution monitor and has an 80 column width display.

M2240

This terminal incorporates a high resolution monitor and therefore has the capacity to display 132 columns. It is upgradable to the M2250 terminal described below by the simple addition of extra printed circuit boards.

The M2200 and M2240 compile images from a wide range of blocks, each of which is composed of many pixels and which may take on any of the colours which the system provides. This process is well-suited to the presentation of information in the form of bar charts and diagrams with a structured composition. 16 different colours are available on both these terminals.

M2250

This terminal has a 132 column width display. It has full pixel graphics capability so that, in contrast to the M2200 and M2240 which compile images from standard shaped blocks, it is able to address each individual pixel on the monitor, thereby permitting graphics of greater detail to be displayed and substantially reducing the time needed to enter the necessary instructions to produce the display for certain applications. The pixel graphics capability is of particular importance in applications such as computer-aided design. The graphics capability is enhanced by the availability of 4,096 different colours from which the operator can choose any 16 at any one time.

All three terminals also have a "self colouring" feature, so that different colours are automatically applied to the display even if there is no colour software on the computer to which the terminal is connected.

Switch Mode Power Supplies

In September 1983 Microvitec commenced the manufacture of multi-output electronic switch mode power supplies capable of application in a wide variety of computer and peripheral equipment in circumstances where a regulated, constant and accurate power supply is required. This is particularly the case with sophisticated micro-processors where fluctuations in power supply may be detrimental to performance or may even damage the installation.

Floppy disc assemblies

In April 1984 Microvitec launched a floppy disc assembly comprising a single or twin drive unit, a power supply and operating system. Such assemblies provide additional memory capacity for microcomputers and Microvitec plans to introduce assemblies compatible with a wide range of micro and personal computers over the next twelve to eighteen months.

MANUFACTURING

It is an essential feature of Microvitec's strategy that it has the manufacturing and test capacity to handle high production volumes and to achieve low unit costs. In addition, the manufacturing process has been designed to create a highly efficient and flexible system which combines the benefits of mass production with the ability to tailor products to specialist requirements.

Manufacturing is carried out at Microvitec's premises in Bradford. The production process involves the insertion of components into printed circuit boards which are manufactured externally to Microvitec's design, and the assembly into finished products of the completed printed circuit boards, cabinets, cathode-ray tubes and power supplies. Testing takes place at all stages of the production process and a final test takes place in a controlled environment designed to highlight any potentially defective components.

Considerable capital investment has recently been made to increase productive capacity and productivity. The investment includes Amistar automatic insertion equipment for the printed circuit boards, Zehntel automatic test equipment for these boards and streamlining of the final test procedure. The capacity to accommodate anticipated future demands on the final test procedure has already been installed. The production process now has considerable flexibility and will be capable of being applied to new products as and when these are launched. Microvitec also has the option to introduce shift working to increase production over the level achieved by the current single shift output, although it has no plans at present to do so.

SUPPLIERS

By far the most important component of a colour monitor is the cathode ray tube. All of the tubes required by Microvitec are purchased from outside suppliers, principally Mitsubishi, NEC and Hitachi. Because world demand for tubes is in excess of available production capacity, suppliers have been requesting an indication of requirements for up to 2 years ahead and confirmation of orders 3 months prior to delivery. Microvitec has developed excellent trading relationships with its tube suppliers. The forward indications which it gives are sufficiently flexible to permit alterations to quantity, date of shipment and product mix as required by Microvitec's production commitments.
A good trading relationship is also enjoyed with a wide range of other component suppliers, and it is Microvitec's policy to second source all components as and when production volumes justify. Sufficient stocks of both tubes and other components are held to allow Microvitec to accommodate normal fluctuations in demand.

SALES AND MARKETING

Microvitec recognises that development of its sales and marketing activities is fundamental to the continued expansion of its business and an increased proportion of management resources is being devoted to the establishment of a strong sales and marketing capability.

MICROVITEC PLC

(Registered in England under the Companies Acts 1948 to 1981 No. 1435584)

Different sales and marketing strategies are being adopted to address the various markets for colour monitors and to build up sales of the new products. Colour terminals and the other more recently introduced products are being handled in the Group by separate personnel who will also co-ordinate after sales service and maintenance for these products.

The recently appointed marketing manager co-ordinates the marketing activities of Microvitec with particular responsibilities for advertising, exhibitions, sales literature and public relations. Microvitec currently advertises in the electronics trade press and certain national Sunday newspapers.

Colour Display Monitors

Colour monitors are sold into five main market segments, which Microvitec calls Education, Distribution, OEM, Multiples and Export. Each of these segments forms a separate division within the Company's marketing department. Sales managers have been appointed to head each division, with the divisional manager being responsible for a team of field sales engineers and internal sales staff.

Education

The education division deals with the sale of colour monitors to schools and other educational establishments.

The operation of the Micros in Schools schemes is co-ordinated and administered through Local Education Authorities ("LEAs") and the Department of Trade and Industry. The LEAs consult with their computer advisers as well as their schools to determine additional requirements for monitors over and above those partially funded under the schemes. Microvitec monitors are supplied to over three-quarters of the LEAs.

Microvitec's education division deals with the LEAs and their advisers rather than the schools directly, to confirm and process orders and sales. Courses organised by the Company for the LEAs on basic maintenance and servicing of the monitors now enable simple and routine maintenance operations to be carried out on site by LEA technical personnel.

Sales under the Micros in Schools schemes during the year ended 31st December, 1983, amounted to some £3.0 million. In 1984 the contribution to sales will fall as the schemes draw to a close. Sales to both schools and other educational establishments outside the schemes amounted to approximately £1.0 million during the year ended 31st December, 1983. These sales are growing rapidly as the increasing importance of computers in education gains full recognition and many schools acquire additional monitors beyond the single monitor provided under the schemes.

Distribution

The Company's colour monitors are available in the UK from more than 450 specialist computer dealers who supply a range of customers from the business user to the serious home computer hobbyist.

Sales by these specialist dealers are assisted by the Company's policy of developing relationships with the main computer manufacturers with a view to gaining their recommendation for the use of the Company's monitor with their equipment.

Silicon Express Limited has been appointed as Microvitec's distributor for the Midlands, East Anglia and parts of London and supplies approximately 200 dealers in these areas. Dealers in Northern Ireland are supplied by CEM Micro Computer Services of Belfast. Dealers elsewhere in the United Kingdom are supplied directly by the Company.

OEM

The flexibility offered both by the design of the Company's monitor and the manufacturing system which has been developed, has placed Microvitec in a particularly advantageous position to meet the requirements of OEMs. Some OEMs wish to integrate the colour monitor with their system and, in these cases, Microvitec supplies the monitor in chassis form together with the necessary interface. Others require only that the monitor carry an "own label".

OEM customers include Torch Computers (for its business computer), TI Crypton (for an electronic diagnostic system for motor vehicles), Mecca Bookmakers (for use in their betting offices) and Gresham Lion (for terminals).

The expansion of the Company's manufacturing capacity will enable approaches to be made to other OEMs, requiring very considerable volume production.

Multiples

During 1983 the UK multiple chain stores gained market leadership in the supply of microcomputers to the home user and accordingly the Directors decided in January, 1984 to establish a sales and marketing division for multiples.

The Company has begun supplying colour monitors to W. H. Smith & Sons, the John Lewis Partnership, John Menzies, and Green's and expects shortly to introduce its monitors into other multiples. Demand from the multiples is expected to increase significantly in the autumn in advance of the 1984 Christmas season.

Export

Microvitec's initial concentration on sales and marketing has been in the United Kingdom which has proved to be a strong market in its demand for microcomputers and computer peripherals. The Directors now consider that a substantial export market for the Company's products can be established. In this regard, the Company believes it will be assisted by its low manufacturing costs and competitive pricing although it expects competition in export markets to be stronger than it has experienced to date in the United Kingdom.

In recognition of the potential for this segment a sales manager was appointed in September 1983. The Company has distributors in Scandinavia, Holland, France, Belgium and the United States, and is currently in the process of identifying and appointing distributors in various other countries.

Colour Terminals

The terminals produced by Microcolour Graphics have been designed primarily for professional end users. The emphasis of the sales and marketing operation for these terminals is accordingly business and governmental organisations wishing to link colour terminals to their mini and main frame computers. The identification of end users is also being made with the assistance of, or in conjunction with, systems houses. Software houses are being encouraged to maximise the potential of the terminals by the development of applications software using colour.

Sales have so far been made for applications in process control, information systems and computer aided design, and to provide a private viewdata system in the financial community.

The competitive pricing of the M2200 terminal offers colour technology to the non-specialist user and, as software availability increases, the Directors believe a considerable expansion of sales will then be possible.

Other Products

Sales of switch mode power supplies are made to OEMs for inclusion in computer and peripheral equipment. Floppy disc assemblies will be sold primarily to dealers.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Directors

The Board of the Company consists of the following:—

Anthony Martinez (aged 54) is Chairman and Managing Director of the Company. He is a chartered engineer and fellow of the Institute of Electronic and Radio Engineers. Prior to forming the Company he held a number of senior positions in international electronic companies, including that of senior engineer in charge of close circuit TV equipment at Marconi. In 1967 he joined Thorn and became the chief engineer of the television receiver plant in Bradford. After seven years with Thorn, he joined Texas Instruments as European consumer products manager and worldwide video systems co-ordinator between 1974 and 1979.

Philip Ellison (aged 47) is the Assistant Managing Director and Production Director of the Company. He is a chartered engineer and a Member of the Institute of Production Engineers. He joined the Bradford plant of Baird Television (later Thorn) in 1963 and later became senior production executive. In 1971 he left to take up an appointment as senior lecturer in management studies at Bradford College. In July 1979, he joined Mr. Martinez in product development through his consultancy business, and joined the Board in 1981.

Brian Tasker (aged 37) is Financial Director and Company Secretary. He is a Fellow of the Institute of Chartered Accountants, having qualified in 1969. He joined the Reed International Group of Companies in 1971 where he held a number of posts with various subsidiaries of the Group culminating in that of chief accountant. In 1978 he joined the John Waddington Group, initially as financial controller and then as finance director of Subbuteo Sports Games and subsequently of the House of Games subsidiary. He joined the Company in 1982 and was appointed to the Board in April 1983. His responsibilities include all aspects of the management and financial accounting, credit control and administration functions of the Company.

Gurkirpal Dhesi (aged 32) is Sales and Marketing Director. He graduated from Bradford University in 1976 with an honours degree in electrical and electronic engineering and joined Thorn as a component quality engineer. In 1978 he joined Texas Instruments as a sales engineer where he established contact with Mr. Martinez. He joined Microvitec in 1981 and was appointed to the Board in his current capacity in April 1983, with responsibility for all aspects of sales and marketing.

Iain Longman (aged 41) is a non-executive Director of the Company. He is a Fellow of the Institute of Chartered Accountants and is a member of the Council of that Institute and a partner in Victor Walton, Croudson & Co., a Leeds-based firm of Chartered Accountants. He joined the Company on its formation in 1979 originally as the Director nominated by Investors in Industry Group plc to provide advice on general financial matters and acted as part time financial director until Mr. Tasker's appointment.

Senior Management

The Senior Management of the Group is as follows.—

Name	*Age*	*Position*	*Joined the Group*
G. Ashton	28	OEM Sales Manager	1982
S. Barker	27	Financial Controller of Microcolour Graphics	1981
P. Beaumont	33	Material & Production Control Manager	1982
M. D. Bedford	29	Software Manager of Microcolour Graphics	1983
A. E. Bland	56	Multiples Sales Manager	1984
J. J. Boden	29	Technical Director of Microcolour Graphics	1979
C. Brady	39	Quality Control Manager	1980
S. M. Cooper	30	Sales Manager of Microcolour Graphics	1983
Mrs. D. Dobson	59	Personnel Manager	1979
A. A. Fall	33	Marketing Manager	1984
S. M. Greenwood	32	Engineering Manager	1982
A. J. Hannah	30	Export Sales Manager	1983
K. Hardy	44	Education and Distribution Division Manager	1983
R. A. Knox	25	Production Engineering Manager	1982
S. Pearce	25	Distribution Sales manager	1980
K. H. Ripley	61	Purchasing Manager	1981
S. Stewart	33	Mechanical Engineering Manager	1981

Staff

The Group employed 226 people at 30th April, 1984 of whom approximately 116 were engaged in production and quality control, 46 in engineering and test functions, 26 in sales and marketing and the remainder in administrative and support functions.

Microvitec attaches the highest importance to giving its employees throughout the Group strong incentives to maximise profitability and remain with the Group. In furtherance of this objective the Company has established an employee trust which holds shares in the Company. Under the terms of the Trust Deed further shares in the Company may be acquired. The Trustees have a discretion to lend funds to employees to enable them to acquire shares in the Company and to make income distributions for the benefit of the employees of the Group, their relations and dependents. In addition on 9th May, 1984 the Company adopted an employee share option scheme designed to motivate and reward employees. Further details of that scheme and the employee trust are set out in paragraph 5 of Appendix III.

Microvitec places great emphasis on the principle of equal status and equal opportunity for all employees. Accordingly, the conditions of employment for all members of the workforce, including directors, provide for the same number of hours per working week and for the same holiday entitlement. Bonuses are not proportional to pay, but are distributed equally among all staff who have been with the Group more than a year. Microvitec operates a non-contributory pension and life insurance scheme on behalf of the employees. Salaries are related to qualifications, experience, responsibility and the contribution of the individual to Microvitec's profitability and growth. Salary scales are in line with those applicable to the electronics industry. A works committee meets every week, with representatives from all departments, so that any problems can be openly discussed.

These measures have contributed to the excellent industrial relations record of Microvitec which has not suffered any interruptions in production as a result of labour disputes.

As part of Microvitec's policy of encouraging employee share participation 5 per cent. of the issue will be reserved for employees applying on the special Employee Application Forms.

PREMISES

The factory, warehouse and office premises of Microvitec are situated on a 4.3 acre site one mile from Bradford city centre. The total area covered by these premises is approximately 70,000 square feet. Construction has taken place in three stages to meet the expansion requirements of Microvitec.

The premises are held on a ninety-nine year lease from the City of Bradford Metropolitan District Council. The Council constructed the factory, on behalf of Microvitec, and granted certain rent free periods on each completed building phase with the exception of a part of the final phase. The last rent free period will end on 12th October, 1984 and will reduce the rent payable by the Company for the year ending 31st December, 1984 by approximately £31,000 from the full rent of £133,195.

Microvitec, as part of its expansion plans, proposes to develop a second site, opposite the existing premises on an area of approximately 1.5 acres. These new premises will accommodate a technology centre for the development and manufacture of colour terminals and other computer peripherals. They will also house the necessary engineering support. Although plans have not yet been finalised the Directors envisage that, subject to planning permission being obtained, the construction of the new building will commence during the second half of 1984 to be ready for occupation in mid-1985. The cost of the new building is estimated at approximately £2 million. The Directors do not expect any material disruption to production to result from the expansion into these premises.

Further details on the premises are set out in paragraph 8 of Appendix III.

REASONS FOR THE OFFER FOR SALE

The Ordinary shares now being offered for sale total 7,306,120, of which 4,590,620 are being made available by existing shareholders and 2,715,500 are being issued by the Company for cash. All the shares now being issued will rank in full for all dividends declared or paid hereafter.

The net proceeds to the Company of the Offer for Sale, after deduction of expenses, are estimated at £4.5 million and will be used to finance the development of the second site and additional production equipment which will be required to meet the growth in demand anticipated for all of the Group's products.

The Directors are of the opinion that the Offer for Sale will enhance the status of Microvitec with its customers and suppliers and that the establishment of a market in its shares will provide the Group with greater flexibility for financing future growth by internal development and acquisition as and when opportunities arise. In addition, the Directors are of the opinion that equity participation by Microvitec's employees is important and the creation of a market in the Company's shares will further encourage and facilitate the participation by employees in Microvitec's prosperity, through its employee trust, the employee share option scheme and the direct purchase of shares.

TRADING RECORD

The following is a summary of the results of the Group for the period ended 31st December, 1980 and the three years ended 31st December, 1983. This summary has been extracted from the Accountants' Report which sets out the results in full.

	Period to 31st December, 1980	*Year ended 31st December 1981*	*1982*	*1983*
	£000	*£000*	*£000*	*£000*
Turnover	189	1,375	2,671	9,614
Profit/(loss) before taxation	(56)	158	195	2,513
Taxation	—	(21)	(49)	(1,113)
Profit/(loss) after taxation	(56)	137	146	1,400

Sales and profits before taxation have shown substantial growth during the period. Sales in 1981 were largely to OEMs in the video games market. Towards the end of 1981 the Directors recognised that demand from these OEMs was decreasing and greater emphasis was placed on the supply of monitors for use with microcomputers in schools, offices and the home. 1982 saw the creation of a dealer network. H.M. Government's selection of Microvitec as the sole supplier of a colour monitor for the "Micros in Schools" schemes and approved supplier status for the BBC Microcomputer system. In 1983 sales for colour monitors to all market segments increased substantially and the higher volume of production led to a significant increase in profit margins.

CURRENT TRADING AND PROSPECTS

The Directors estimate that, on the basis of unaudited management accounts, Microvitec's sales and profits before taxation for the three months ended 31st March, 1984 were £3,687,000 and £878,000 respectively.

While the Directors consider that it is too early to make a profit forecast for 1984 they believe that the Group is well placed to take advantage of growing demand for colour monitors and to achieve a significant impact in the expanding colour terminal market.

The Group's ability to sustain a high rate of growth in sales of monitors will depend increasingly on its success in expanding sales to the multiples and in overseas markets although results in this respect are not expected to show through until the second half of the year. Even after the Micros in Schools schemes expire, continuing demand from educational establishments is expected as additional systems are installed.

The colour terminals are believed by the Directors to have substantial potential as a new market area. There is considerable interest in a full colour capability on main-frame and mini-computer terminals encouraged by the increasing use of colour graphics in the personal and home computer markets. Many software houses are responding to this interest by adding colour graphics facilities to existing software packages. The Directors believe that the increasing availability of software, coupled with the competitive price of the terminals compared with many existing monochrome terminals, will translate into substantial demand for these products.

Microvitec's current investment programme will increase the level of automation in the productive process thereby enabling Microvitec to offer the production volumes required by certain large OEMs and further to reduce unit costs. The reduction in unit costs will permit Microvitec to continue its policy of expanding the market for its products by selectively reducing prices at appropriate times.

The Directors are confident that, with the achievement of market leadership in the United Kingdom colour monitor market from a cost competitive manufacturing base, the foundations have been laid for further substantial growth in this market and with further selected products in the rapidly expanding computer peripheral market.

OFFER FOR SALE STATISTICS AND DIVIDENDS

On the basis of profit after taxation and before extraordinary items for the year ended 31st December, 1983 of £1,414,000 and 27,155,500 Ordinary shares in issue immediately following the Offer for Sale, earnings per Ordinary share would have been 5.2p. At the Offer for Sale price of 180p per Ordinary share the price/earnings multiple is 34.6 times. No adjustment has been made to show any notional benefit to the Group's earnings from the investment of the net proceeds of the Offer for Sale.

The net tangible assets of Microvitec at 31st December, 1983 as shown in the Accountants' Report set out in Appendix I, amounted to £1,625,000. Taking into account the net proceeds of the sale of the new shares of the Company, the adjusted net assets at that date are £6,085,000 (22.4p per Ordinary share).

Preferred Ordinary shares outstanding at 31st December, 1983, but since converted into Ordinary shares, have been treated as Ordinary shares for the purposes of the earnings per Ordinary share and net assets per Ordinary share calculations.

The Directors have not previously recommended the payment of a dividend to Ordinary shareholders as profits have been reinvested to assist with the development of the business. As a quoted company, the Directors of Microvitec intend to pay or recommend in respect of each year, an interim and a final dividend in November and May respectively. In the absence of unforeseen circumstances the Directors intend to recommend only a final dividend of 0.75p per Ordinary share (excluding the associated tax credit) in respect of the year ending 31st December, 1984, payable in May 1985. Had Microvitec been a quoted company throughout 1984, the Directors would have paid or recommended total dividends of 1.25p in respect of that year, which would represent a notional gross dividend yield at the offer for sale price of 1.0 per cent.

APPENDIX I

Accountants' Report

The Directors,
Microvitec PLC,
Futures Way,
Bolling Road,
Bradford, West Yorkshire,
BD4 7TU
and
The Directors
Hill Samuel & Co. Limited,
100 Wood Street,
London EC2P 2AJ

1 Puddle Dock,
Blackfriars,
London EC4V 3PD
and
Manor Buildings,
2 Manor Row,
Bradford, West Yorkshire,
BD1 4HJ

10th May, 1984

Gentlemen,

We have examined the audited accounts of Microvitec PLC ("the Company") for the period from 6th July, 1979 to 31st December, 1980 and for each of the three years ended 31st December, 1981, 1982 and 1983. The accounts for each of the two years ended 31st December, 1982 and 1983 are the consolidated accounts of the Company and its trading subsidiary Microcolour Graphics Limited, together with certain dormant subsidiary companies ("the Group"). Microcolour Graphics Limited commenced trading on 1st October, 1982. Throughout the periods relevant to this report the auditors of the Company and of the Group were Messrs. Chalmers Impey & Co., Chartered Accountants.

The summarised profit and loss accounts, balance sheets, movements in Group capital and reserves and summarised source and application of funds statements set out below are based on the audited accounts after making such adjustments as we consider appropriate. In our opinion the summaries, which have been prepared on the basis of the accounting policies set out below, together with the notes thereon, give a true and fair view of the state of affairs of the Company and of the Group at 31st December, 1983 and of the results and sources and applications of funds of the Group for each of the periods stated.

No audited accounts of the Company or of the Group have been made up in respect of any period since 31st December, 1983.

Accounting Policies

The significant accounting policies applied consistently throughout the period under review are as follows:

Basis of accounts

The accounts are prepared under the historical cost convention and comply with Statements of Standard Accounting Practice.

Basis of consolidation

The group accounts consolidate the financial statements of the holding company and its subsidiaries. Intra-group profits are eliminated on consolidation. No separate profit and loss account is presented for the holding company.

Turnover

Turnover represents the amounts invoiced in respect of goods provided to customers excluding value added tax, but including carriage costs recharged.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is determined after deducting government grants received. Depreciation is charged by equal annual instalments commencing with the year in which the asset is first available for use so as to write off each asset's cost less any residual value over its anticipated useful life. The following rates of depreciation are used:

Plant and machinery	—20% per annum on cost
Fixtures, fittings, tools and equipment	—20% per annum on cost

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value. Cost is determined by the "first in first out" method and is based on the purchase price or production cost including related fixed and variable production overheads and depreciation. Net realisable value is based on estimated selling price less the costs of disposal.

Deferred taxation

Deferred taxation takes account of timing differences between the treatment of certain items for taxation purposes and their treatment in the accounts. Provision, calculated on the liability method, is made for all timing differences other than those where there is a reasonable probability that they will continue for the foreseeable future.

Research and development

Research and development expenditure is charged against operating profits as it is incurred.

Summarised Profit and Loss Accounts

	Note	*Period from 6th July, 1979 to 31st December, 1980*	*Year ended 31st December 1981*	*1982*	*1983*
		£'000	£'000	£'000	£'000
Turnover		189	1,375	2,671	9,614
Cost of sales, distribution costs and administrative expenses less other operating income	1	(237)	(1,197)	(2,442)	(7,099)
*Operating profit/(loss)		(48)	178	229	2,515
Interest receivable	2	5	22	3	31
Interest payable	3	(13)	(42)	(37)	(33)
Profit/(loss) on ordinary activities before taxation		(56)	158	195	2,513
Taxation on profit on ordinary activities	4	—	(21)	(49)	(1,113)
Profit/(loss) on ordinary activities after taxation		(56)	137	146	1,400
Minority interests		—	—	1	14
Profit/(loss) before extraordinary items		(56)	137	147	1,414
Extraordinary items	5	—	—	41	(160)
Profit/(loss) after taxation and extraordinary items		(56)	137	188	1,254
Dividends paid and proposed on Preferred Ordinary shares	6	—	(8)	(12)	(119)
Retained profit/(loss) for the period		(56)	129	176	1,135

*Operating profit for each of the two years ended 31st December, 1982 and 1983 can be restated in accordance with Format 1, Companies Act 1981 as follows.—

	Year ended 31st December 1982	*1983*
	£'000	£'000
Turnover	2,671	9,614
Cost of sales	(1,735)	(5,829)
Gross profit	936	3,785
Distribution costs	(101)	(479)
Administrative expenses	(516)	(846)
Other operating income	—	55
Operating profit	229	2,515

The information is not available for the period 6th July, 1979 to 31st December, 1980 or for the year ended 31st December, 1981 in order to restate the figures for these periods under Format 1, Companies Act 1981.

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MICROVITEC PLC

(Registered in England under the Companies Acts 1948 to 1981 No. 1435584)

Balance Sheets
at 31st December, 1983

	Note	Group £'000	Group £'000	Company £'000	Company £'000
Fixed assets					
Tangible assets	7		480		432
Investments	14		—		75
Current assets					
Stocks	8	2,155		2,075	
Debtors	9	2,032		2,179	
Cash at bank and in hand		253		253	
		4,440		4,507	
Creditors					
Amounts falling due within one year	10	3,068		3,050	
Net current assets			1,372		1,457
Total assets less current liabilities			1,852		1,964
Creditors					
Amounts falling due after more than one year	11		(67)		(67)
Provision for liabilities and charges	13		(160)		(160)
Net assets			1,625		1,737
Capital and Reserves					
Called up share capital	15		47		47
Share premium account			194		194
Profit and loss account			1,384		1,496
Shareholders' funds			1,625		1,737
Minority interest	16		—		—
			1,625		1,737

Movement in Group capital and Reserves

	Period from 6th July, 1979 to 31st December, 1980 £'000	Year ended 31st December 1981 £'000	1982 £'000	1983 £'000
Called up share capital:				
Balance brought forward	—	38	42	46
Shares issued	38	4	4	1
Balanced carried forward	38	42	46	47
Share premium account:				
Balance brought forward	—	—	116	169
Premium on shares issued	—	116	53	25
Balance carried forward	—	116	169	194
Profit and loss account:				
Balance brought forward	—	(56)	73	249
Retained profit/(loss)	(56)	129	176	1,175
Balance carried forward	(56)	73	249	1,384

Summarised Statements of Source and Application of Funds

	Period from 6th July, 1979 to 31st December, 1980 £'000	Year ended 31st December 1981 £'000	1982 £'000	1983 £'000
Source of Funds				
Profit (loss) before taxation	(56)	158	195	2,513
Adjustments for items not involving the movement of funds:				
Depreciation	6	14	37	131
Loss/(profit) on sale of tangible fixed assets	2	2	—	(2)
Funds generated from operations	(48)	174	232	2,642
Funds from other sources				
Proceeds from issue of shares	38	120	57	26
Shares issued by subsidiary company to the minority	—	—	7	8
Loan capital raised	124	90	—	75
Awards received	—	—	41	—
Government grants received	2	28	7	—
Proceeds from sale of tangible fixed assets	—	17	—	11
Total funds generated	116	429	344	2,762
Application of funds				
Purchase of tangible fixed assets	(27)	(96)	(133)	(478)
Loan capital repaid	—	—	(12)	(52)
Taxation paid	—	(1)	(4)	(86)
Dividends paid	—	(1)	(8)	(12)
	89	331	187	2,134
Increase/(decrease) in working capital				
Stocks	77	219	405	1,454
Debtors	93	240	519	1,180
Creditors	(101)	(201)	(560)	(837)
	69	258	364	1,797
Movement in net liquid funds				
Cash at bank and in hand	90	73	(136)	226
Bank overdraft and short term loans	(70)	—	(41)	111
	89	331	187	2,134

Notes on the accounts

1. Cost of sales

Cost of sales includes.—

	Period from 6th July 1979 to 31st December, 1980 £'000	Year ended 31st December 1981 £'000	1982 £'000	1983 £'000
Depreciation	6	14	37	131
Loss/(profit) on sale of tangible fixed assets	2	2	—	(2)
Plant leasing charges	—	3	21	53
Development expenditure (after deducting grants received)	111	29	97	160
Directors' remuneration	30	46	83	153
Auditors' remuneration	2	3	6	10
Purchase of shares on behalf of employee trust	—	—	—	38
Development expenditure comprises:				
Cost	140	39	97	215
Grants received	(29)	(10)	—	(55)
	111	29	97	160
Included in development expenditure are the following amounts which are also included in the charge for depreciation:	—	—	10	11

2. Interest receivable

Interest receivable comprises.—

Interest on bank deposits	5	22	3	31

3. Interest payable

Interest payable comprises.—

Interest on bank overdraft	1	2	9	2
Interest on loans	12	40	28	31
	13	42	37	33

4. Taxation

The charge for taxation comprises:—

Corporation tax	—	21	49	1,113

5. Extraordinary items

Extraordinary items comprise.—

	Year ended 31st December 1982 £'000	1983 £'000
Extraordinary income:		
Awards received (no taxation attributable)	41	—
Extraordinary charge:		
Deferred taxation (note 13)	—	(160)

6. Dividends on Preferred Ordinary shares

Dividends paid and proposed on the Preferred Ordinary shares comprise —

	Period from 6th July, 1979 to 31st December, 1980 £'000	Year ended 31st December 1981 £'000	1982 £'000	1983 £'000
Fixed dividend	—	1	1	1
Preferential dividend	—	7	11	118
	—	8	12	119

The Preferred Ordinary shareholders were entitled to a fixed cumulative cash dividend of 11 per cent. per annum, together with a cumulative preferential dividend which, when added to the fixed dividend, equalled 6 per cent. of the consolidated net profit before taxation for the year in excess of £50,000.

The Preferred Ordinary shares were converted into Ordinary shares on 9th May, 1984 (see note 15).

7. Tangible fixed assets

At 31st December, 1983.—

	Cost £'000	Accumulated depreciation £'000	Net book amount £'000
The Group —			
Plant and machinery	567	146	421
Fixtures, fittings, tools and equipment	90	31	59
	657	177	480
The Company —			
Plant and machinery	507	126	381
Fixtures, fittings, tools and equipment	80	29	51
	587	155	432

8. Stocks

At 31st December, 1983.—

	Group £'000	Company £'000
Raw materials and consumables	1,309	1,303
Work in progress	274	274
Finished goods and goods for resale	572	498
	2,155	2,075

9. Debtors

At 31st December, 1983:—

	Group £'000	Company £'000
Amounts falling due within one year:—		
Trade debtors	1,915	1,871
Amounts owed by Group companies	—	197
Other debtors	7	3
Prepayments and accrued income	59	57
	1,981	2,128
Amounts falling due after more than one year.—		
Advance corporation tax recoverable	51	51
	2,032	2,179

10. Creditors: Amounts falling due within one year

At 31st December, 1983:—

	Group £'000	Company £'000
Secured loans (note 11)	158	158
Trade creditors	902	890
Corporation tax	1,094	1,094
Other taxes and social security	151	151
Proposed dividend	118	118
Other creditors	89	85
Accruals and deferred income	556	554
	3,068	3,050

11. Creditors. Amounts falling due after more than one year

At 31st December, 1983.—

	Group and Company £'000
Secured loans (note 12)	225
Less amounts repayable within one year (note 10)	(158)
Amounts repayable after more than one year	67

Amounts repayable after more than one year comprise:—

	£'000
Amounts repayable between one and two years	17
Amounts repayable between two and five years	50
	67

12. Secured loans

At 31st December, 1983 secured loans comprised.—

	Group and Company £'000
Investors in Industry plc (fixed interest)	67
Investors in Industry plc (variable interest)	75
European Investment Bank	83
	225

The secured loans from Investors in Industry plc were repaid in full on 31st March, 1984 together with all interest accrued to that date. The fixed interest loan carried interest at a rate of 15½ per cent. per annum. The variable interest loan carried interest at 2½ per cent. over 3 months LIBOR.

The loan from the European Investment Bank is repayable on an annuity basis, which commenced on 15th August, 1983 with the final instalment being payable on 15th February, 1988. The loan carries interest at a fixed rate of 12 per cent. per annum, and was indirectly secured by a floating charge over the assets of the Group. The security for this loan was released on 30th April, 1984.

13. Provision for liabilities and charges

Provision for the full potential liability to deferred taxation at 31st December, 1983, at a corporation tax rate of 35 per cent., comprises.—

	Group £'000	Company £'000
Accelerated capital allowances	180	160
Unrelieved taxation losses	(20)	—
	160	160

14. Investments

At 31st December, 1983:—

	Company £'000
Shares in Group companies at cost	75

15. Share capital

At 31st December, 1983:—

	Company £'000
Authorised, allotted, called up and fully paid:—	
12,500 Preferred Ordinary shares of £1 each	12
34,500 Ordinary shares of £1 each	35
	47

Resolutions were passed at the Annual General Meeting on 12th April, 1984 and at an Extraordinary General Meeting on 9th May, 1984, increasing the authorised share capital, converting the Preferred Ordinary shares into Ordinary shares and making bonus issues of Ordinary shares so that at 10th May, 1984 the authorised share capital of the Company is £1,800,000 divided into 36,000,000 Ordinary shares of 5p each of which 24,440,000 were allotted called up and fully paid.

16. Minority interest

At 31st December, 1983:—

	Group £'000
Minority interest in share capital of Microcolour Graphics Limited	15
Minority's share of retained losses of Microcolour Graphics Limited (as restricted)	(15)
	—

The minority's share of the retained losses of Microcolour Graphics Limited at 31st December, 1983 amounted to £19,000. Consequently, this loss was restricted to an amount equivalent to the minority interest in the share capital of that company.

On 4th April, 1984 the Company acquired the minority interest in the share capital of Microcolour Graphics Limited for £45,000.

17. Capital commitments

At 31st December, 1983 —

	Group and Company £'000
Contracted	185
Authorised by the directors but not contracted	45
	230

Yours faithfully,
Peat, Marwick, Mitchell & Co.
Chartered Accountants

APPENDIX II

Profit Estimate

In this Prospectus it is stated that "The Directors estimate that, on the basis of unaudited management accounts, Microvitec's sales and profit before taxation for the three months ended 31st March, 1984 were £3,687,000 and £878,000 respectively".

The following is the text of a letter from Peat, Marwick, Mitchell & Co.—

The Directors
Microvitec PLC
Futures Way,
Bolling Road,
Bradford, West Yorkshire,
BD4 7TU
and
The Directors,
Hill Samuel & Co. Limited,
100 Wood Street
London EC2P 2AJ

1, Puddle Dock
Blackfriars,
London EC4V 3PD
and
Manor Buildings
2 Manor Row
Bradford, West Yorkshire
BD1 4HJ
10th May, 1984

Gentlemen,

We have reviewed the accounting policies and calculations used in preparing the estimate of profit before taxation (for which the Directors are solely responsible) of Microvitec PLC and its subsidiary companies ("the Group") for the three months ended 31st March 1984 set out in the Prospectus dated 10th May, 1984. The estimate of profit before taxation has been extracted from the unaudited management accounts for the three months ended 31st March, 1984.

We confirm that, so far as the accounting policies and calculations are concerned, the estimate of profit before taxation for the three months ended 31st March, 1984 has been properly compiled on bases consistent with those normally adopted by the Group.

Yours faithfully

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

The following is the text of a letter from Hill Samuel & Co. Limited:—

The Directors
Microvitec PLC
Futures Way,
Bolling Road,
Bradford, West Yorkshire,
BD4 7TU

100 Wood Street,
London EC2P 2AJ

10th May, 1984

Gentlemen,

We have discussed with you and with Peat, Marwick, Mitchell & Co. the estimate of profit before taxation of Microvitec PLC and its subsidiaries for the three months ended 31st March 1984 as set out in the Prospectus dated 10th May, 1984. We have also considered the letter dated 10th May, 1984 addressed to yourselves and us from Peat, Marwick, Mitchell & Co. regarding the accounting policies and calculations of the profit estimate. As a result of these discussions and having regard to that letter we consider that the estimate of profit before taxation (for which you as Directors are solely responsible) has been compiled by you after due and careful enquiry.

Yours faithfully,

for Hill Samuel & CO. LIMITED
R. A. Douse
Director

APPENDIX III

Statutory and General Information

1. Share Capital

A. *The Company*

(i) The Company was incorporated in England as a private company under the name Microvitec Limited on 6th July, 1979 with an authorised share capital of £100 divided into 100 Ordinary shares of £1 each of which two subscriber shares were issued fully paid at par.

(ii) On 18th October, 1979 the authorised share capital was increased from £100 to £37,500 by the creation of 24,900 Ordinary shares of £1 each and 12,500 Preferred Ordinary shares of £1 each. On the same date 12,499 Ordinary shares were issued to each of Mr. A. Martinez and Mr. I. I. Martinez-Perez at par credited as fully paid and all of the Preferred Ordinary shares were issued to a subsidiary of Investors in Industry Group plc ("3i") at par credited as fully paid.

(iii) On 10th July, 1981 the authorised share capital was increased from £37,500 to £41,666 by the creation of 4,166 Ordinary shares of £1 each all of which were issued on that date, credited as fully paid, to W. N. Middleton (Nominees) Limited at a subscription price of £28.80 per share.

(iv) On 28th May, 1982 the authorised share capital was increased from £41,666 to £47,000 by the creation of 5,334 Ordinary shares of £1 each and on 4th June, 1982, 1,984 Ordinary shares of £1 each were issued by way of rights to Mr. A. Martinez, 1,984 Ordinary shares of £1 each were issued by way of rights to a subsidiary of 3i and 662 Ordinary shares of £1 each were issued by way of rights to W. N. Middleton (Nominees) Limited all credited as fully paid at a subscription price of £12.50 per share.

(v) On 14th June, 1983 659 Ordinary shares of £1 each were issued credited as fully paid to the Trustees of the Employee Trust (see paragraph 5 of this Appendix) at a subscription price of £37.50 per share and a further 45 Ordinary shares of £1 each were issued, credited as fully paid to a number of employees of the Group, at a subscription price of £28.80 per share.

(vi) At the Annual General Meeting of the Company held on 12 April, 1984.—

(a) the authorised share capital was increased from £47,000 to £94,000 by the creation of 47,000 Ordinary shares of £1 each;

(b) £47,000 of share premium account was capitalised and applied in paying up in full 47,000 Ordinary shares of £1 each which were issued, credited as fully paid, to the shareholders pro rata to their then existing shareholdings of Ordinary shares and Preferred Ordinary shares;

(c) the re-registration of the Company as a public limited company pursuant to the Companies Act 1980 was approved and the Memorandum and Articles of Association were altered accordingly.

(vii) The Certificate of Incorporation on re-registration under the name Microvitec PLC was issued on 19th April, 1984.

(viii) At an Extraordinary General Meeting held on 9th May, 1984 a Special resolution was passed.—

(a) authorising the payment of a final dividend of £38,418 to the holder of the Preferred Ordinary shares.

(b) converting each of the Preferred Ordinary shares of £1 each into an Ordinary share of £1 each.

(c) subdividing each of the Ordinary shares of £1 each into twenty Ordinary shares of 5p each.

(d) increasing the authorised share capital of the Company from £94,000 to £1,800,000 by the creation of 34,120,000 New Ordinary shares of 5p each.

(e) capitalising £1,128,000 standing as to £147,365 to the credit of the Share Premium Account and as to £980,635 to the credit of the Revenue Reserve which was applied in paying up in full 22,560,000 Ordinary shares of 5p each in the Company which were allotted to the shareholders pro rata to their then existing holdings.

(f) adopting new Articles of Association.

(g) approving the Microvitec PLC Share Option Scheme ("the Employee Share Option Scheme") (see paragraph 5 of this Appendix).

(h) authorising the Directors for the purposes of Section 17 of the Companies Act 1980 (with such authority expiring on 31st December, 1984) to issue equity securities to Hill Samuel & Co. Limited for cash otherwise than in accordance with the said Section 17, of a nominal value of up to £250,000.

(ix) Under the terms of the offer for sale agreement (described in paragraph 2 below) Hill Samuel & Co. Limited conditionally agreed, on 10th May, 1984 to purchase 4,590,620 Ordinary shares of 5p each and to subscribe for 2,715,500 New Ordinary shares of 5p each (in both cases at 176.4p per share) and to offer for sale the aggregate 7,306,120 Ordinary shares of 5p each at 180p per share.

B. *Microcolour Graphics Limited*

(i) Microcolour Graphics Limited ("Microcolour Graphics") was incorporated under the name of Deemfell Limited on 12th October, 1981 with an authorised share capital of £100 divided into 100 Ordinary shares of £1 each of which 2 subscriber shares were issued fully paid at par.

(ii) On 29th June, 1982 Microcolour Graphics changed its name to Micrographics Limited and on 28th June, 1983 changed its name to its present name.

(iii) On 19th November, 1982 Microcolour Graphics increased its authorised share capital from £100 to £100,000 by the creation of 99,900 Ordinary shares of £1 each and on 10th December, 1982 82,000 Ordinary shares of £1 each were issued at par, credited as fully paid as to 75,000 to the Company and as to 2,000 to A. Martinez, as to 2,000 to P. Ellison, as to 1,000 to J. I. Boden, as to 600 to E. I. Longman and as to 1,400 to E. I. Longman jointly with his wife.

(iv) On 14th June, 1983 a further 8,000 Ordinary shares of £1 each were issued, credited as fully paid, to the Trustees of the Company's Employee Trust.

(v) On 4th April, 1984 the minority interests in Microcolour Graphics (being 15,000 Ordinary shares of £1 each) were acquired by the Company at a price of £3 for each Ordinary Share so that Microcolour Graphics is now a wholly owned subsidiary of the Company.

C. *CUB Limited*

(i) CUB Limited was incorporated under the name of Ganait Limited on 18th January, 1983 with an authorised share capital of £100 divided into 100 Ordinary shares of £1 each of which 2 subscriber shares were issued fully paid at par and are now beneficially owned by the Company.

(ii) On 11th July, 1983 CUB Limited changed its name to its present name.

D. *Microvitec Systems Limited*

(i) Microvitec Systems Limited was incorporated under the name of Helpless Limited on 26th April, 1983 with an authorised share capital of £100 divided into 100 Ordinary shares of £1 each of which 2 subscriber shares were issued fully paid at par on incorporation and are now beneficially owned by the Company;

(ii) On 8th July, 1983 Microvitec Systems Limited changed its name to its present name.

E. *KUB Limited*

(i) KUB Limited was incorporated under the name of Ivebade Limited on 16th May, 1983 with an authorised share capital of £100 divided into 100 Ordinary shares of £1 each of which 2 subscriber shares were issued at par on incorporation and are now beneficially owned by the Company.

(ii) On 8th July, 1983 KUB Limited changed its name to its present name.

F. *General*

(i) save as disclosed in this paragraph 1, in the two years immediately preceding the date of this document no share or loan capital of the Company or any subsidiary has been issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital;

(ii) save in connection with the Employee Share Option Scheme or pursuant to this offer for sale no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or is agreed to be put under option;

(iii) no material issue of shares (other than to shareholders pro rata to their shareholdings) will be made by the Company within one year of the date of this document without the prior approval of the Company in General Meeting.

(iv) following the offer for sale 8,844,500 Ordinary shares of 5p each will remain unissued of which an aggregate of 1,357,775 are reserved under the Employee Share Option Scheme. Save for the reserved shares and pursuant to this offer for sale, no issue of shares will be made by the Company which will effectively alter its control or the nature of its business without the prior approval of the Company in General Meeting.

2. Offer for Sale Agreement

(a) By an Agreement dated 10th May 1984 (material contract no (iv) in paragraph 16 below) ("the Agreement") Hill Samuel & Co. Limited ("Hill Samuel") has agreed, conditionally on the Council of The Stock Exchange granting permission for the Ordinary Share Capital of the Company to be dealt in on the Unlisted Securities Market not later than 24th May, 1984, to purchase 4,590,620 Ordinary shares of 5p each and to subscribe for 2,715,500 new Ordinary shares of 5p each, in each case at a price of 176.4p per share, and to offer all such shares for sale to the public at 180p per share.

(b) The vendors under the Agreement are Investors in Industry plc and Mr A. Martinez who are selling 3,558,300 and 1,032,320 Ordinary shares respectively.

(c) The Agreement provides for the Company to pay the expenses of and incidental to this offer for sale including capital duty on the shares being subscribed, the cost of printing, advertising and distributing this prospectus, all accountancy and legal expenses, the Registrars and receiving bankers fees and expenses and the cost of effecting Directors' liability insurance) and a fee to Hill Samuel. The total expenses payable by the Company in connection with this offer for sale are estimated to amount to £330,000 exclusive of VAT. Hill Samuel will pay commissions to underwriters of 1¼ per cent. of the offer for sale price and a fee to the stockbrokers.

(d) Under the Agreement the Directors have given warranties to Hill Samuel concerning the accuracy of this prospectus and the vendors have given an indemnity to the Company and Hill Samuel regarding taxation (including capital transfer taxation) subject to an aggregate limit of approximately £4.0 million. In addition Mr. A. Martinez has undertaken not to sell any of the Ordinary shares which he retains following the offer for sale before the Annual General Meeting to receive the Report and Accounts of the Company for the year ending 31st December, 1984.

3. Directors' Interests

(i) The interests of the Directors and their families in the share capital of the Company immediately preceding the offer for sale, as shown by the register maintained under the provisions of the Companies Act 1967 (as amended), and their respective interests immediately following the offer for sale (excluding any shares which any of the Directors may purchase under this offer for sale) are as follows.—

	At present No. of Shares	At present per cent.	Following the offer for sale No. of Shares	Following the offer for sale per cent.
Mr. A. Martinez	8,432,320	34.50	7,400,000	27.25
Mr. P. Ellison	33,280	0.14	33,280	0.12
Mr. B. T. Tasker	31,200	0.13	31,200	0.11
Mr. G. S. Dhesi	31,200	0.13	31,200	0.11
Mr. E. I. Longman	17,680	0.07	17,680	0.07

The holding of Mr. A. Martinez includes a total of 1,040,000 Ordinary shares (4.3 per cent. of the issued share capital immediately prior to the offer for sale) held by him on trust for his wife and children.

(ii) All the Directors (other than Mr. A. Martinez and Mr. E. I. Longman who is non-executive) are eligible to participate in the Employee Share Option Scheme.

(iii) Mr. A. Martinez and Mr. P. Ellison are two of the trustees of the Company's Employee Trust (see paragraph 5 of this Appendix) which holds 342,680 Ordinary shares in the Company. This holding is not included within the interests of either Mr. A. Martinez or Mr. P. Ellison set out in paragraph (i) above.

(iv) The aggregate emoluments of the Directors in respect of the Company's financial year ended 31st December, 1983 were £153,000 (inclusive of pension contributions). The aggregate emoluments (inclusive of pension contributions) of the Directors in respect of the current financial year of the Company ending 31st December, 1984 are estimated, under the arrangements in force at the date of this document, to be approximately £170,000.

(v) On 4th April, 1984 the Company purchased 15,000 Ordinary shares of £1 each, representing the minority interests in its trading subsidiary Microcolour Graphics, for £45,000 paid in cash. Mr. Martinez, Mr. Ellison and Mr. Longman were interested in 2,000 Ordinary shares each.

(vi) On 9th May, 1983 Mr. A. Martinez executed a declaration of Trust in favour of the Company in respect of a patent registered in his name in consideration of the payment to him of £100.

(vii) Save as disclosed in paragraph (v) and (vi) above none of the Directors has, or has had, any direct or indirect interest in any assets which during the two years immediately preceding the date of this document have been acquired or disposed of by or leased to the Company or any of its subsidiaries or which are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries.

(viii) None of the Directors has any direct or indirect interest in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

4. Other Significant Interests

(i) Other significant interests in the share capital of the Company as they appear in the register maintained under the provisions of the Companies Act 1967 (as amended) and as they will be immediately following this offer for sale are as follows:

	At present No. of shares	At present %	Following the offer for sale No. of shares	Following the offer for sale %
Investors in Industry plc	8,532,680	34.9	4,974,380	18.3
I. I. Martinez-Perez	2,600,000	10.6	2,600,000	9.6
Stoop & Company Nominees Limited	1,606,280	6.6	1,606,280	5.9
Abingworth Limited	1,326,000	5.4	1,326,000	5.0

(ii) Save as set out in paragraphs 3(i) and 4(i) above the Directors do not expect that following the offer for sale, there will be any significant interests in the issued share capital of the Company required to be disclosed pursuant to the Companies Act 1981.

5. Employee Participation

A. *The Employee Share Option Scheme*

On 9th May, 1984 the Company adopted the Employee Share Option Scheme for which approval will be sought from the Inland Revenue under the provisions of the Finance Act 1984. Under the terms of the Employee Share Option Scheme the board may, at its discretion, within the next ten years issue invitations to apply for options to acquire Ordinary shares in the Company to any full time employee or executive Director (other than Mr. A. Martinez) of the Company or its subsidiaries. The price payable by an employee on the exercise of his option will be based on current market value at the date of the grant of the option provided that in any event the price payable shall not be less than the nominal value of the shares.

The number of shares in respect of which options may be granted under the Employee Share Option Scheme may not in aggregate exceed the lesser of 1,500,000 Ordinary shares (subject to adjustment in the event of a variation of the Company's capital) and 5 per cent. of the issued Ordinary share capital of the Company in existence from time to time.

B. *The Company's Employee Trust*

The Company has established an Employee Trust ("the Trust") by settlement dated 14th June 1983 the present trustees of which are Mr. J. R. Archer, Mr. A. Martinez, Mrs. D. Dobson and Mr. P. Ellison.

Under the terms of the Trust the Company may make payment to the Trustees out of its estimated net profits for any particular accounting period or out of the net profits as shown in the accounts of the Company for the immediately preceding accounting period save that any such payment is limited by the Articles of Association of the Company to 2.5 per cent. of such profits.

The Trustees shall hold the relevant trust fund for the benefit of the employees of the Group and other beneficiaries defined therein (other than excluded persons as defined by Section 90(3) of the Finance Act 1976 as amended). They have wide powers of investment, including the ability to invest in shares of the Company, and have discretion in the making of distributions to or for the benefit of any person entitled under the Trust.

To date £32,717.50 has been contributed by the Company to the Trustees of which £24,712.50 has been invested in the purchase of 342,680 Ordinary shares of 5p each of the Company, and £8,000 was invested in the subscription at par of 8,000 ordinary shares of £1 each in Microcolour Graphics which have now been acquired by the Company (see paragraph 1. B(v) of this Appendix). The sale proceeds of £24,000 are currently held on deposit.

6. Service and Consultancy Agreements

(a) Service Contract dated 9th May, 1984 between the Company and Mr. A. Martinez by which he agreed to continue to serve the Company as a Director for a period of 5 years commencing on 9th May, 1984 and determinable by either party on service of 12 months notice expiring on the fifth anniversary or at any time thereafter at an annual salary (subject to review) of £65,000 inclusive of Directors' fees.

(b) Service Contract dated 9th May, 1984 between the Company and Mr. P. Ellison by which he agreed to continue to serve the Company as a Director for a period of 5 years commencing on 9th May, 1984 and determinable by either party on service of 12 months notice expiring on the fifth anniversary or at any time thereafter at an annual salary (subject to review) of £35,000 inclusive of Directors' fees.

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TECHNOLOGY

EDITED BY ALAN CANE

COMPUTERVISION AIMS TO FIGHT OFF IBM COMPETITION

New 'windows' on the CAD world

BY GEOFFREY CHARLISH RECENTLY IN MASSACHUSETTS

COMPUTERVISION, The Bedford, Massachusetts company, which has been fighting off IBM to retain leadership in the $2bn computer-aided design market, has launched important products at the two ends of its range.

According to some U.S. market researchers, the 15-year-old company has been losing market share in the turnkey design and manufacturing area to IBM.

The computer giant has come from under 10 per cent of the market in 1980 to closely rival CV's position. An estimate by Merril Lynch put the 1983 shares about equal at 25 per cent and showed IBM overtaking during 1984.

Clearly with the new products CV intends to restore the balance. The move was foreshadowed last October by chief executive officer James Berrett when be announced technology and marketing agreements with five other companies including IBM itself.

Since then, the agreement — by which IBM supplies 4300 series computers and database knowhow to Computervision — has been watched with some interest, because the companies appear to be competing and co-operating at the same time.

But there is a clear enough mutual interest — CV wanted access to IBM's acknowledged expertise in relational databases while IBM, as ever, seeks to place more hardware.

The top-end product, CDS 5000, combines CV hardware and interactive graphics software with IBM's database management techniques. The result is a system that allows the large amounts of graphic and alphanumeric data, used in engineering design and manufacture, to be manipulated, quickly and efficiently.

Functions such as materials/resource planning and budget analysis can be embraced. To an aerospace company, for example, generating perhaps 50,000 drawings per project, this is an important consideration. Apart from originating, modifying and viewing the mass of drawings, there is also a need to organise and link them to other functions. Such a database might be worth $100m and needs to be properly handled.

One advantage that CV will certainly exploit, is that many companies already hava big IBM machines and corporate databases. So it hopes to steal a march on its competitors by offering compatibility between its own engineering software and IBM's business systems. In addition, the tie-up should give IBM improved visibility in the scientific and engineering markets, in which it has suffered at the hands of DEC.

The idea behind CDS 5000 is to use a common database embracing as much of the design, engineering and manufacturing activity as possible. Once the dimensional data about a product has been entered, it can be enhanced. The power of the computer can be used "on screen" to look at engineering problems lika stress analysis, thermal behaviour, and kinematics.

All this can be seen in colour with "solid modelling." This gives images of engineering parts which are virtually indistinguishable from colour television pictures (often in motion).

It then becomes possible to feed appropriate derivations of the data straight into production processes like machining and more recently, into robotics controllers for assembly.

The CDS 5000 will cost between $490.000 and $677,000 in Europe and will become available in the fourth quarter of this year.

At the lower end of tha range, Computervision bas used its agreement with Sun Microsystems in California to develop a workstation that can be used entirely on its own for more basic CAD work. Alternatively, it can be networked with CV'a bigger systems so that a design engineer for example, can tap existing resources, searching a company's database for similar design projects.

Graphics, text and numerical control data are distributed with this microcomputer system.

These workstation systems have a starting price of $38,500 as a networked terminal or $57,000 as a stand-alone unit, in Europe. CV plans to apply them to a variety of more specific applications apart from drawing construction, such as product manual compilation and manufacturing space planning.

The use of "icons" and "windowa" makes life much easier for the user, whatever the application package in use. Keying to arrange material on the screen is greatly reduced. Instead, the user moves a roller ball device to place the screen cursor over a tiny pictorial representation of the task he wishes to perform—an icon—and presses one button to produce the desired activity on the screen. With multiple "windowing"—overlapping and/or subdivided areas of the screen—the user can access and keep a grip of a number of associated areas of activity at the same time, without constantly flicking between one screen-full and another.

These aids first began to appear in sophisticated microcomputers such as Apple's Lisa.

The techniques are particularly useful in technical publication production. Here, all the drawings, schematics and text can be selectively assembled from the database in an electronic "cut and paste" technique that allows documents to be laid out at remarkable speed.

One version of the CDS 3000, called Factoryvision, allows manufacturing information to be controlled and distributed via view-only graphics terminals. The terminals would be used in office areas where engineers and managers have to deal with drawings, project data, tooling requirements, machining loads and similar data as it enters production from design. Using the terminals, they can for example, send numerical control data to machine toola.

The launch of the CDS 3000 and 5000 products, which augment Computervision's existing 4000 "core" product, seems likely to bolster Computervision's position. In any event, it is a rapidly expanding market.

Even if CV's sbare haa dropped to meet IBM's—and the notion is refuted hy executives at Bedford—the fact is that the company's revenue and net income went up by 35 and 37 per cent respectively in the first quarter of 1984 compared with the same quarter last year. It is a considerable achievement by any yardstick.

Fuels

Diesel replacement

THE ONTARIO Research Foundation in Canada has completed the first phase of a programme to produce a substitute for diesel fuel used in agricultural machinery.

The foundation said that tests showed that the most likely replacement was either ethyl alcohol derived from grains and other lignocellulosic crop residues or vegetable oils such as canola.

One of the main criteria was that machinery should be able to run on substitole and diesel fuel when necessary. Work on this has been carried out in co-operation with Perkins Engines. Both have been testing ethanol/diesel emulsions, diesel fuel and fine mist of ethanol injected into the combustion chamber and using a mixture of ethanol and canola oil to prodnce the operating characteristics of diesel fuel.

Market share

EIU Informatics has asked ns to make clear that in our recent article on packaged software (May 8), the market valoe of £127m it reports applies only to the UK and not the wbole of Europe.

Medicine

Drug pump award

THE Intellectual Property Owners Inc, a U.S. trade association for holders of patents, has given an inventor of programmable medication systems its top award for 1983.

The association named Robert Fischell of the applied physics laboratory at Johns Hopkins University as Inventor of the Year for his development of a computerised system for pumping drugs into patients.

The hardware can, for example, administer insulin to diabetics or pain-relieving drugs to people suffering from cancer. The drug pump, attached to the patient's body, is programmed remotely by signals sent from a doctor's office by wireless telemetry.

CHOOSING BUSINESS MACHINES

First aid for computer users

First computer is set up by Margaret Theroux a business and economic graduate.

HOW DO you choose your first serious computer, whether you are a businessman, an executive, a doctor or a mere journalist? Up to now in Britain you have probably gone to a computer consultant or have asked a computer friend or bave been perplexed by the computer jargon which is the off-balance sheet stock-in-trade of most computer shops.

First Computer is a new retail chain of computer shops. It aims to provide a free advisory service to help you identify your needs and find the best available software to go with reliable and compatible hardware. (You can walk in or make an appointment.) If you decide to buy, First Computer is prepared to spend several hours discussing your needs and demonstrating different software and hardware —they offer three to four days' free training; for any further training thereafter you pay a normal commercial rate averaging £125 a day. For a year free maintenance and a help-line is guaranteed—a charga is made for on site maintenance.

Similar chains already exist in America. The initative for establishing one in Britain came from a 34-year-old economics and business graduate, Margaret Theroux, who has worked in America for IBM in marketing and in England as a freelance computer consultant. She was introduced by a friend, Sir Jack Lyons (now First Computer's chairman), to Cyril Spencer, the Burton Group's former chief executive. It is a good team—Theroux, the product director, provides the marketing and computing expertise and Spencer, the executive director, the retailing know-how.

First Computer was formed in November 1983. While a venture capitalist who had been approached in September was still assessing whether to finance First Computer, Heron Corporation was approached in December and by the beginning of February it bad provided finance to the tune of £5m, including the founders' investments. The first shop opened on April 11. There are now three shops in London (Piccadilly, Moorgate and High Holborn) and one each in Slough and Bristol; a total of 12 around the country will be open by the end of this year.

Theroux says "as a freelance consultant I found that most of my clients couldn't walk into a computer store and get the type of advice they wanted and have a consultation process—either the sales staff had no business background and didn't understand the client'a business needs, or were so technical that the client felt bewildered." She also discovered that clients who bad spent £3,000 on a first computer were loath to spend another £500 on training and resorted to learning from a manual—rarely very effective.

For the design of the shops First Computer commissioned Fitch & Co, whom Spencer had used for designing Top Shops. Fitch looked at computer shops in America and England before producing an effectively cool yet welcoming design. Each shop has a demonstration area with three groups of workstations (each station offering privacy and each area covering one of First Computer's three market targets, businesses, executives and professionals). Each shop also has a training centre and a service area.

First Computer works out of a central office in Duke Street, W.1 and already employs 100 people. Each shop haa a manager, a software specialist, an instructor and four salesmen; most have some business background and frequently computer experience and receive four to six weeks training at the staff training centre in Stratton Street, os well as two days training on any new software and hardware introduced into the stores. Other shop staff include a technical engineer and receptionist.

Since November a Product Committee bas reviewed microcomputers, peripherals and software products for their suitability for tha company's markets; products are then evaluated by technical staff. The shops are issued with technical bulletins with a grid which lists reasons why the company didn't choose other products which it has tested. The result is that if a customer requests these products First Computer can obtain them, but can also tell him why they are not stocked. First Computer currently stocks two IBM micros, the portable Compaq. Hewlett Packard and Apricot and have 25 software packages.

At First Computer in Piccadilly, a salesman says, "people often come in thinking they want an accounting package, bnt on talking through their working methods it transpires that they have an even greater need for word processing.

This branch has had enquiries from many local solicitors and consultancies, so have arranged an Open Day for consultancies on May 22.

First Computer is an excellent concept. Continued success will depend on their ability to attract and train suitable staff and on not growing too fast—one Press release claims that 50 shops will open within 18 months.

PETA LEVI

Closing prices May 11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅜	13⅛	AAR	.44	2.2	21	34	20⅛	19⅞	20⅛	−⅛
53	31½	ACF	1.40	2.7	659	465	52⅝	52½	52⅝	
22	15½	AMCA	n .15	6		10	17⅜	17¼	17¼	−⅛
18⅞	13⅛	AMF	.50	3.1		168	16¼	15½	16	−½
41¼	26	AMR Cp			7	2275	34⅝	33⅞	34½	−⅛
20⅜	17½	AMR	pf2.18	11		63	20	19⅞	19⅞	−⅛
41½	29⅞	AMR	pf2.13	6.0		27	36½	35½	35⅞	−1⅛
26⅞	23	ANR	pf2.67	11		409	24½	24	24	−⅛
16¼	7	APL			3	142	12⅞	12⅜	12¼	−⅛
55¼	48⅞	ARA	2.19	4.5	19	428	47	45¾	46½	−½
77¼	50¼	ASA	3a	5.0		776	60	58½	59⅞	+½
33¼	17	AVX	s .32	1.5	16	121	21¼	21¼	21½	−¼
53⅝	38¼	AbtLab	1.20	2.8	14	1412	43⅛	42⅞	43	
30¼	23⅛	AccoWd	.60	2.2	18	34	27	26⅞	27	−⅛
27½	20	AcmeC	.40	1.9		34	21⅞	21⅛	21⅛	−⅛
13	8⅝	AcmeE	.32b	3.3	27	8	9¼	9⅛	9⅛	−⅛
24⅞	12⅞	AdmDg	.04	.3	6	2	14	14	14	−⅛
18⅝	15⅞	AdaEx	2.11e	13		64	16	15⅝	15⅝	−⅛
19¼	11	AdmMi	.28	1.6	8	34	18	17⅞	17¼	−¼
22	14⅛	AdvSys	.81t	5.4	15	44	15¼	15	15	
18½	8⅞	Advest	.12	1.3	12	25	9½	9½	9½	
37½	21¼	AMD	s		27	2829	33¼	32½	33	−⅛
44¼	35¾	Belo	n .72							
24¼	17½	Bemis	s							

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices May 11

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Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

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X–Y–Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
52¼	38⅞	Xerox	3	7.5	9	2392	40⅛	39¾	40	−⅛
53½	47	Xerox	pf5.45	11		149	49⅛	49	49	+⅜
37	31⅞	XTRA		2.7	10	12	24⅛	24⅛	24⅛	−⅛
34	24	ZaleCp	1.26	4.5	11	1	28½	28½	28½	
24⅝	15⅛	Zapata	.84	3.7	14	1068	23⅜	21⅞	22⅝	−⅛
47½	29¾	Zayre	s .40b	1.1	11	609	35¼	35	35	−¼
38⅝	20½	ZenithE			12	1316	28¾	26	26¼	−⅜
27⅞	19¾	Zero	s .36	1.8	18	7	20½	20⅛	20⅛	−⅛
37⅛	31⅛	Zurnin	1.32	3.7	10	166	23½	23	23¼	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E-price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices May 11

CANADA

TORONTO

Closing prices May 11

Continued on Page 27

MONTREAL

Closing prices May 11

BELGIUM/LUXEMBOURG

1984 High	Low	May 11	Price Frs.
1,835	1,220	ARBED	1,780
3,200	4,985	Banq Int A Lux	3,050
4,420	3,105	Bekaert B	4,375
2,400	2,010	Ciment CBR	2,350
328	175	Cockerill	265
5,850	4,800	Delhaize	4,820
2,790	2,260	EBES	2,600
6,850	5,850	Electrobel	6,850
2,423	2,110	Fabrique Nat	2,150
3,595	3,060	GB Inno BM	3,070
2,800	2,340	GBL (Brux)	2,390
3,300	2,970	Gevaert	3,185
6,480	5,000	Hoboken	5,450
2,140	1,805	Intercom	2,140
7,320	6,280	Kredietbank	7,220
10,000	8,020	Pan Hldgs.	10,000
8,000	6,010	Petrofina	7,980
9,200	7,320	Royale Belge	9,170
3,500	2,900	Soc. Gen. Banq	3,223
1,930	1,680	Soc. Gen. Belge	1,840
6,840	5,190	Sofina	6,180
4,355	3,660	Solvay	4,135
5,875	3,125	Traction el.	3,800
5,440	4,510	UCB	5,200
4,500	3,700	Vieille Mont.	3,900

NORWAY

1984 High	Low	May 11	Price kroner
190	143.5	Bergens Bank	186
340	215	Borregaard	322.5
190	151	Christiania Bk.	186
188.5	152	Den Norsk Credit	187.5
187.5	136	Elkem	168
326	252	Norsk Data	322.5
675	512.5	Norsk Hydro.	665
272.5	186	Storebrand	265

HONG KONG

1984 High	Low	May 11	Price H.K.$
29.7	21.0	Bank East Asia	21
10.6	8.0	Cheung Kong	8.1
14.5	10.6	China Light.	10.8
2.97	1.65	Hong Lung Devel.	2.35
47.0	34.25	Hang Seng Bank.	35
7.4	5.15	HK Electric	6.25
4.7	3.45	HK Kowloon Wh.	3.3
4.3	2.95	HK Land.	3.05
7.76	5.92	HK Shanghai Bk.	6.26
49	35.5	HK Telephone	41
18.9	14.3	Hutchison Wpa	14.3
14.3	8.8	Jardine Math.	8.95
4.02	3.05	New World Dev.	3.05
2.87	2.32	Orient O'seas.	2.37
4.0	2.95	O'seas Trust Bk.	2.95
8.3	5.4	SHK Props.	6.2
21.0	14.4	Swire Pac A.	14.4
4.2	3.17	Wheel'k Mard A.	3.27
2.3	1.84	Wheel'k Maritime	1.8
2.6	1.68	World Int. Hldgs.	1.89

DENMARK

1984 High	Low	May 11	Price Knr. %
480	325	Aarhus Olie	440
362	217	Andelsbanken	240
705	310	Baltic Skand	675
350	207	CopHandelsbank	237
850	600	D. Sukkerfab	662
333	203	Danske Bank	834
218	163	East Asiatic	176
1,230	830	Forenede Brygg.	875
186	130	Forenede Damp.	178
700	445	GNT Hldg.	355
725	613	I.S.S.B.	350
760	443	Jyske Bank	350
3,130	2,203	Novo Ind.	2,923
372	228	Privatbanken	242
370	282	Provinsbanken	341
350	217	Smidth (F.)	825
1,375	1,105	Sophus Berend.	1,165
588	460	Superfos	485

GERMANY

1984 High	Low	May 11	Price Dm
109.8	82.5	AEG-Telef.	67.2
840	750	Allianz Vers.	772
178.2	139.3	BASF.	163.5
186.5	161	Bayer	168.4
304	268	Bayern-Hypo	888
358	324.5	Bayern-Verein.	325
316	275	BHF-Bank	273
433	384	BMW.	384
247.5	218.5	Brown Boveri	211.8
190	170	Commerzbank	166.7
141.6	123.7	Conti Gummi	183
636	532	Daimler-Benz	572
412	368.5	Degussa	370xr
146	146	Demag	146
162.5	151	D'sche Babcock.	156
388.5	336.3	Deutsche Bank	376
182.8	159.6	Dresdner Bank	168.4
156.6	137	GHH	149.2
528	470	Hochtief	520
195.3	172.3	Hoechst	175
152.6	110.3	Hoesch Werke	114.6
466	420	Holzmann (P.)	425.5
203	188	Horten	195
223.5	191.2	Kali und Salz	201
283	247.3	Karstadt	264
269.8	236.3	Kaufhof	243.5
284.5	235	KHD	244
70	47.6	Kloeckner	68
94	72	Krupp	77.5
418	365.5	Linde	382
170.6	137.5	Lufthansa	139.8
136.5	131	MAN	132.2
135	136.5	Mannesmann	143
561	486	Mercedes Hld	496
246	217	Metallgesell.	235.5
1,370	1,035	Muench Rueck	1,150
288	263	Preussag	266
188.8	162	Rhein West Elect	162
291	226	Rosenthal	228.5
386.5	332.8	Schering	343
417.9	380	Siemens	392.4
94.3	80.6	Thyssen	83
190	168	Varta	167
186.9	168	Veba	163.1
127.9	119.5	V.E.W.	116.5
335	289	Verein West	299
231.8	190.8	Volkswagen	193.6

AUSTRALIA

1984 High	Low	May 11	Price Aust. $
6.14	5.28	ANZ Group	5.86
1.80	1.45	Acrow Aust	1.6
0.90	0.68	Alliance Oil D.	0.71
2.11	1.67	Ampol Pet	1.8
1.82	1.75	Aust Cons Ind	1.82
3.10	2.58	Aust Guarant	2.73
2.75	2.38	Aust Nat Inds	2.68
2.46	1.95	Aust Paper	1.95
6.40	6.20	Bell Group	5.2
1.62	1.25	Bond Corp Hldgs	1.25
3.65	3.20	Boral	6.6
2.72	2.40	B'ville Copper	2.48
3.32	2.70	Brambles Inds	2.65
3.62	2.75	Bridge Oil	2.9
12.16	10.67	BHP	11.1xa
6.20	5.28	CRA	6.78
4.28	3.55	CSR	3.6
4.25	3.88	Carlton & Utd.	4.25
5.56	4.08	CastlemaineTys.	4.52
4.15	3.62	Coles (G.J.)	3.78
3.22	2.90	Comalco "A"	2.95
1.30	0.65	Consolidated Pet	0.65
1.40	1.18	Costain Aust.	1.3
1.74	1.46	Dunlop Aust.	1.72
6.40	5.04	E.Z. Inds.	3.36
4.53	3.68	Elders IXL	4.03
1.80	1.40	Energy Res.	1.41
2.30	1.86	Gen Prop Trust	2.1
3.65	3.20	Hardie (J.)	3.3
3.3	2.60	Hartogen Energy	8.78
3.5	2.95	HeraldW'y Times	3.4
2.45	1.85	ICI Aust.	2.02
0.38	0.28	Jimb'lana 50cFP	0.28
0.20	0.15	Kia Ora Gold	0.15
5.06	4.60	Lend Lease	4.95
3.98	3.22	MIM	3.22
8.90	8.30	Mayne Nickless	2.35
1.80	0.75	Meekatharra	0.76
8.15	1.82	Myer Emp.	1.62
3.92	3.45	Nat. Com. Bk.	3.75
12.80	10.0	News	10
3.32	2.7	Nicholas Kiwi	2.85
3.32	8.56	North Bkn Hill	2.56
1.11	0.86	Oakbridge	0.92
0.78	0.45	Otter Expl.	0.51
1.48	1.12	Pancont'l	1.4
2.09	1.54	PioneerConc	1.54
2.85	8.53	Reckitt & Coln.	2.60
1.40	1.05	Repco	1.17
8.20	6.6	Santos	6.66
4.40	3.65	Smith (H.)	3.8
0.46	0.26	Southland Min'g.	0.38
0.44	0.30	Spargos Expl	0.65
2.48	1.80	Thos Nationwide	1.89
6.3	4.68	Tooth	5.3
3.80	3.20	Vamgas	3.36
4.43	3.65	Western Mining.	3.96
4.02	3.60	Westpac	4
1.35	0.63	Woodside Petrol.	1.24
2.80	8.23	Woolworths	2.34
3.47	3.03	Wormald Intl.	3.22

ITALY

1984 High	Low	May 11	Price Lire
39,500	28,680	Banca Com'le.	34,000
183	126.0	Bastogi IRBS	135.6
1,929	1,418	Centrale	1,731
6,633	3,841	Credito Varesino.	4,680
6,470	3,983	Fiat	4,174
60	35.4	Finsider	37.6
66,300	34,790	Generali Assicur	36,300
3,485	3,100	Invest	3,275
66,050	40,600	Italcementi	47,900
248.4	205.6	Montedison	208
4,858	3,865	Olivetti	4,802
3,316	2,899	Pirelli Co.	2,965
1,844	1,470	Pirelli Spa.	1,490
1,666	1,336	Snia BPD.	1,569
14,600	1,200	Toro Assic.	11,730
11,310	8,150	Do. Pref	9,130

JAPAN

SWEDEN

FRANCE

NETHERLANDS

SWITZERLAND

AUSTRIA

SPAIN

SINGAPORE

SOUTH AFRICA

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

OVER-THE-COUNTER *Nasdaq national market, closing prices May 11*

Continued from Page 26

Stock	Sales (Hnds)	High	Low	Last	Chng	Stock	Sales (Hnds)	High	Low	Last	Chng
StJude	25	15¾	15¼	15¼	-½	Swtm s	48	7⅝	7¼	7½	
StPaul 3	3491	58⅞	58¼	58¼	-1⅛	Sykes	320	3⅝	3¼	3½	
SalCpr	37	3¾	3½	3⅝	-⅛	SymbT	192	10⅛	9¾	10	-¼
SanBar	1	5¼	5¼	5¼	-⅛	Syncor	129	6¼	6	6¼	+¼
SavnF 60a	18	38	37¾	38	+¼	Syntech	302	8¾	8⅝	8¾	
SvGkPS .72	14	19¾	19½	19½		Syntrex	62	7¼	7⅛	7⅛	-⅛
ScanOp	98	10½	9⅝	10⅛	-⅛	SyAsoc	71	15¾	15	15	-¼
ScanTr	50	13½	13¼	13½	+¼	Systn	4	9	9	9	
Scherer .32	608	14¾	13⅞	14½	+⅛	Systntg	0	9⅝	9⅝	9⅝	-⅛
Scimed	37	11	10¾	11	+¼	SystGn s	18	8⅝	8¾	8¾	-¼
SciSft	14	19¾	18¾	18¾	-½	Systm a .01t	40	16¼	15¾	15¾	-⅛

CONSTRUCTION CONTRACTS

Mowlem busy in Scotland

Contracts worth nearly £6m have been won by the recently restructured **MOWLEM (SCOTLAND)** of Kilsyth, Glasgow. It is an amalgamation of two subsidiaries of the Mowlem construction group — Mowlem (Scotland) of Edinburgh and McTay Engineering and Construction of Peterhead and Paisley. The largest, worth £2.47m, is for the Civil Aviation Authority on the island of Tiree, in the Atlantic west of Mull. Mowlem is constructing a long-range radar station which forms part of the air traffic control system for Scotland. Work involves construction of a mile-long access road up a 1 in 7 gradient, blasting rock from the top of Ben Hynish, constructing rock anchors, foundations and a steel frame building for the installation of radar equipment to withstand winds of 180 mph. Work has started and completion is due in October.

At Dalkeith, Mowlem Scotland is constructing a 400/275kV substation under a £1.27m contract from the South of Scotland Electricity Board. This will form part of Scotland's national grid system and the work includes an access road, earthworks, foundations, pre-cast concrete and steel structures and a control building. Work has started for completion in early 1985. At Valleyfield, Fife, Mowlem has a £136,000 to construct ash lagoons for the same client.

At Dyce, near Aberdeen, the company has won a £1.23m contract from Schlumberger Inland Services Inc for an extension to a well-logging centre. Work consists of detail design and construction of two identical buildings. Each will consist of offices, laboratory and an industrial area, which will double the size of the existing complex. Work is due to start in mid-May and the contract period is 36 weeks.

Three contracts are being carried out for the Property Services Agency of the Department of the Environment. At South Uist, Outer Hebrides the company has won a 12-month contract worth £746,000 to construct a parachute packing building and roads. At Garelochhead, Strathclyde, Mowlem is renovating fuel tanks at HM fuel and oil depot under a £686,000 contract. In Benbecula, Outer Hebrides, the company is constructing two UHF/VHF transmitting and receiving stations under a £340,000 contract. At East Kilbride, British Printing and Communications Corp. has awarded Mowlem a £480,000 contract for work associated with conversion of existing premises to a printing works.

★

FAIRCLOUGH BUILDING has been appointed main contractor for the West Midlands Passenger Transport Executive's £6m bus garage at Coventry. In Wheatley Street, Coventry, the 12,800 sq metre garage will be a single-storey structure built on a steel frame with brick cladding and metal roof decking. An adjoining 6,000 sq metre two-storey office block is also included in the contract. Fairclough will also be responsible for mechanical and electrical services, drainage and road works. The contract is scheduled for completion in 80 weeks. Fairclough Building is part of AMEC.

★

McGREGOR (PAVING) has been awarded a £3m subcontract by Edmund Nuttall on an M3 motorway contract near Winchester. The McGregor contract is for 10 km of dual-carriageway unreinforced concrete paving in a single carriageway of 11.55 metres. Work has started for completion in six months. The contract is for the Department of Transport.

★

CLUGSTON CONSTRUCTION, Scunthorpe, has £5.5m in orders for a variety of work. Largest is a £3m Superstore for J. Sainsbury at Beeston, Nottingham. Further building contracts totalling £1m have been obtained from the City of Bradford Metropolitan Council for a new school, English Estates for Industrial Units at Barton on Humber, and Nottinghamshire County Council for a new fire station at Misterton. Two contracts, together worth £1m involve a new pumping station and sewers at Boston for Anglian Water, and sewers at Sutton in Ashfield for Ashfield District Council. Civil engineering contracts have been obtained from British Sugar at factories in Brigg, York, and Bardney, and from Grimsby Borough Council for a rock fill contract to stabilise the Alexandra Dock wall at Grimsby.

AUSTIN HALL CONSTRUCTION, a subsidiary of Pentos, has agreed a £295,000 contract to build a meeting house at Southampton for the Church of Jesus Christ of Latter Day Saints. This project finalises the 1983 design management and construction service to build or extend six meeting houses worth over £1,500,000.

★

Work on the new Tranent bypass trunk road east of Edinburgh has been awarded to **FAIRCLOUGH SCOTLAND**. Under a £7.5m contract from the Scottish Development Department, the Renfrew company has been appointed main contractors for phase 1 of the A1 Musselburgh and Tranent bypasses. A major step towards the Edinburgh bypass, the project entails constructing 1½ miles of dual carriageway and over 2½ miles of single carriageway complete with five re-inforced-concrete bridges and culverts. Completion is programmed for April 1986. Fairclough Scotland is part of AMEC.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

BTR, Connaught Rooms, Great Queen Street, WC, 12.00
Matthews (Bernard) Maids Head Hotel, Norwich, Norfolk, 12.00
Merchants Tst, 20, Fenchurch Street, EC, 11.45
TI, Midland Hotel, Birmingham, 12.00

BOARD MEETINGS—

Finals:
Advanco Services
Dencora
Dulwich Inv Tst
Readicut Intnl
Stewart Enterprise Inv
Tysons (Contractors)

Barnet 7¼pcRed 1982-85 3⅞pc
Beattie (James) 6½pc 1stMtgDb 1986-90 3¼pc
Birmingham District Council 11½pcRed 2012 5¾pc
Borg-Warner 21cts
British Assets Tst 4pcDb1980-85 2pc
British Sidac 8pcDb 1985-90 3pc
Brunswick 15cts
Chase Manhattan 91.25cts
Citicorp Overseas Finance Gtd Fltg Rate Nts 1991 £116.00
Clyde Port Authority Bds Reg (10pc to 14½pc) 1983-89 5¼pc
Colgate Palmolive 32cts
Davies and Metcalfe 1.58p, A (Non-Vtg) 1.58p

Indices

NEW YORK

DOW JONES

	May 11	May 10	May 9	May 8	May 7	1984 High	1984 Low	Since Compil'n High	Since Compil'n Low
♦Industr'ls.	1157.14	1187.19	1165.52	1176.30	1166.56	1286.64 (6/1)	1150.65 (15/4)	1287.2 (23/11/83)	41.22 (2/7/32)
H'me Bnds	65.37	66.11	66.16	66.26	68.71	71.75 (1/1)	66.11 (10/5)	—	—
Transport.	502.06	508.64	513.58	514.09	508.86	61 65 (9/1)	484.18 (6/4)	612.63 (6/1/84)	12.32 (8/7/32)
Utilities	129.29	129.77	129.14	128.42	127.02	134 15 (6/1)	123.70 (23/2)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	82,780	101,800	100,580	81,610	72,760	—	—	—	—

♦Day's high 1168.24 (1176.61) low 1145.31 (1158.71)

	May 4	Apr. 27	April 19	year ago (approx)
Industrial div. yield %	4.75	4.72	4.77	4.44

STANDARD AND POORS

	May 11	May 10	May 9	May 8	May 7	1984 High	1984 Low	Since Compil'n High	Since Compil'n Low
Industrils	179.51	161.34	181.47	181.91	180.71	190.84 (6/1)	174.18 (22/2)	194.84 (16/10/83)	3.82 (30/6/32)
Comp'site	158.40	160.00	160.11	160.52	158.47	168.28 (6/1)	154.29 (23/2)	172.15 (10/10/83)	4.40 (1/6/32)

	May 9	May 2	Apr. 25	year ago (approx)
Industr'al div. yield %	3.89	3.93	3.99	3.95
Industrial P/E ratio	12.28	12.42	12.18	13.99
Long Gov. Bond yield	13.11	12.84	12.65	10.24

N.Y.S.E. ALL COMMON

May 11	May 10	May 9	May 8	1984 High	1984 Low
91.23	92.03	92.14	92.44	99.63 (10/10)	90.92 (24/1/83)

Rises and Falls

	May 11	May 10	May 8
Issues Traded	1,973	1,968	2,010
Rises	381	700	644
Falls	1,188	810	855
Unchanged	404	458	411
New Highs	9	22	17
New Lows	62	59	71

TORONTO

	May 11	May 10	May 9	May 8	1984 High	1984 Low
Metals & Minls.	2015.0	2033.2	2038.1	2071.5	2524 (12/1)	2015.0 (11/5)
Composite	2298.2	2321.2	2324.9	2276.5	2585.7 (6/1)	2298.2 (11/5)
MONTREAL Portfolio	111.29	118.25	115.10	115.93	—	—

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Superior Oil	2,207,800	41⅞	+⅞
City Invest	1,407,200	41⅝	−⅞
Ford Motor	1,385,200	35⅝	+½
ATT	1,207,300	17⅞	−⅛
Cont. Illinois	1,192,200	13⅜	+1⅜
General Motors	1,117,400	63⅞xd	−1⅝
Occidental Pet	1,059,300	32	−⅜
Mobil	939,300	29⅝	−⅝
Chrysler	872,700	22⅝	—
IBM	806,400	111⅝	−1⅝

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Bridge Fund Managers (a)(c)
Regis Hse., King William St., EC4. 01-623 4951

Amer Gen. Inc.†	52.8	56.8	+0.2	0.71
Do. Acc†	52.9	58.9	-0.2	0.71
Income*	88.9	97.2xd	.....	9.73
Capital Inc.‡	93.1	100.2xd	...	1.37
Do. Acc.‡	118.0	126.9	...	1.37
Exempt‡	213.0	228.0	...	2.87
Intl. Recovery Inc.‡	41.3	44.2xd	...	1.02
Do. Acc.‡	56.7	57.8	...	1.02

Dealing *Tues. ‡Wed †Thur. Prices May 9/10/11.

For Craigmount Unit Trust see Temple Bar Unit Trust.

Crescent Unit Tst. Mngrs. Ltd. (e)(g)
4, Melville Cres., Edinburgh 3. 031-226 3492

Cres. American	61.2	65.4	-0.2	1.30
Cres. Capital	51.0	34.5xd	-0.5	1.61
Cres. Growth & Inc.	84.1	39.9	-0.5	9.59
Cres. High. Dist.	71.7	76.7xd	-0.6	9.52
Cres. International	137.6	147.2	-0.7	0.76
Cres. Resources	26.8	28.6	-0.2	2.10
Cres. Tokyo	96.7	103.4	-0.8	0.24

INSURANCES

Insurances—continued

Albany Life Assurances Co Ltd
3 Darkes Lane, Potters Bar. 0707 142311

Pension Fonds				
EqPenFdAcc	001.0	717.6	-4.3	—
EuroFdAcc	104.4	109.0	-0.5	—
FxdIntAcc	425.3	447.7	-3.0	—
GtMnPnAcc	250.1	272.7	+0.1	—
IatlManFd	272.4	286.7	-1.7	—
JapPnFdAc	159.1	107.4	-2.1	—
AmPnFdAc	121.0	128.1	+0.4	—
Property	243.5	256.3	+0.1	—
MplIntPnAc	551.0	586.3	-2.9	—

Colonial Mutual Group
24 Ludgate Hill EC4P 9BD. 01-298 9061

Capital Life Assurance				
KeyInnFd	—	131.09	....	—
PcmkrInrFd	—	132.91	....	—
Equity Fd	134.61	141.70	....	—
FnOInIFd	111.72	117.60	....	—
Propty Fd	114.47	120.49	....	—
Cash Fd	102.91	100.33	....	—
ManagdFd	130.38	137.45	....	—
Col Mut Life (Pension Annuities)				
ManCoA/0	117.00	123.88	-0.14	—
MaxInvA/8	118.95	125.22	-0.05	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnnAcUts	—	170.38	-3.27	—
VarAnnMay18	—	36.93	-0.46	—
Prime Series—Life				
Managed	140.4	147.8	-0.7	—
UK Equity	141.1	154.9	-1.2	—
Intl Eq	133.2	140.3	-0.8	—
Property	105.8	111.4	....	—
Fixed Int	110.9	116.8	-0.0	—
IndxLkdGt	91.3	96.2	+0.1	—
Cash	101.8	107.2	....	—
Prime Series—Pensions				
Managed	109.8	115.0	-0.4	—
UK Equity	110.0	116.7	-1.0	—
Int Eq	110.1	115.9	....	—
Property	97.8	103.0	....	—
Fixed Int	94.7	99.7	-0.5	—
IndxLkdGt	93.3	98.3	....	—
Cash	87.7	102.9	....	—

Continental Life Assurance PLC
64 High St Croydon CR0 9KN 01-880 5225

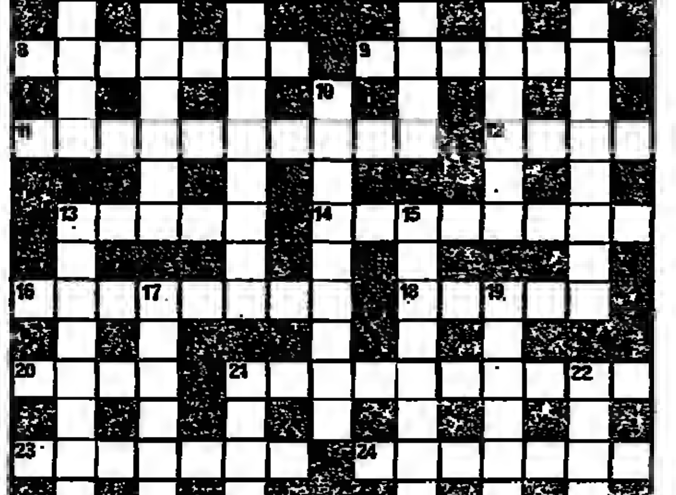
Equity Acc	195.5	205.8	+1.5	—
Propty Acc	168.7	177.8	-0.4	—
Int Acc	153.8	161.7	-0.5	—
ManagdAcc	178.5	187.9	-0.2	—
Spec S/Is	135.0	143.0	+1.1	—
PenIntAcc	151.2	159.2	+0.1	—
PenPrpAcc	109.3	199.3	-0.1	—
PensEquity	233.9	246.2	+2.5	—
PenMyAcc	178.6	109.3	+0.3	—

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,415



ACROSS

1 Monkey makes amusing mistake (6)
4 Topless, the cast surprisingly modest (6)
8 Refers to short public notices (7)
9 The band may be showing liberality (7)
11 Transport to island to "see why" fortunes told by cards (10)
12 Effeminate Scotsman retreats quietly (4)
13 Newspaper on the bed perhaps (5)
14 Lazy as Tennyson's chorus of reviewers (8)
16 Consisting of one stanza is all that is (8)
18 Nothing in phloem to brag about! (5)
20 Cast aspersions on extremely small old city (4)
21 Support physiologist beaten in competition (6-4)
23 Cornish consumer wear? (7)
24 Serious if south wind goes to the east (7)
25 Sharp rebuke from sailor (6)
26 Is porcelain ever broken on board? (6)

DOWN

1 Greek island monster (5)
2 Struggle in the ring? (7)
3 He calculates to master one variety (9)
5 Resolute novelist (5)
6 Odds-on lance cutting length of rope (7)
7 Somehow I'm tense at this cafe (9)
10 Dining with EEC members could result in poverty (9)
13 State of Kansas displays helianthus (9)
15 Long-term share, but need change about (9)
17 Centre of 8, many a worker finds immature (7)
19 Judge gives a right mouthful to riot leader (7)
21 Laurence cut 24 (5)
22 If out of them, doctor may help these types (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Ass.—Cont.

Income Accum	139 9	142 1	0 9
Do Initial	128 9	135 7	0 8
Universal 7pc Acc	91 0	95 8	1 1
Do Initial	89 7	94 5	1 2
Man Pens. Accum	272 0	286 4	
Do Initial	220 0	212 1	
Gilt Edg Pens Accum	212 8	229 3	
Do. Initial	169 6	178 6	
Money Pens Accum.	196 F	207 2	
Do Initial	155 4	161 6	

Black Horse Life Ass. Co. Ltd.

36bA High St., Chatham 0634 405161

Black Horse Man 1		262 11	
Managed Inv Fd	175 37	184.60	–
Property Fd	154 90	163 06	–
Fixed Interest Fd	149 66	157.44	–
Cash Fd	139 26	146.59	–
Income Fd	202.53	213 24	–
Extra Income Fd.	197.87	208.29	–
Worldwide Growth Fd.	230 86	243 02	–
Balanced Fd	204.85	215 63	–
Smlr Co's & Recy Fd	231 01	243.17	–
Int. Technology Fd	252 53	271.09	–
Nth. Amer & Gen Fd	150 97	158 92	–
Energy Int. Fd	113.93	119.93	–
Pacific Basin Fund	164.33	172 98	–

British National Life Assurance Co. Ltd.

Harlands Rd, Haywards Heath. 0444 414111

Managed	122 0	128.5	-1 1
Property	125.5	132.1	2 4
Equity	132 0	139 0	1 3
International	138.1	145.4	+0 4
Fixed Interest	105.5	111 1	-1 1
Deposit	102.5	107 7	
Managed Pen. Cap.	121 6	128 0	-1 5
Property Pens. Cap	128.4	135 0	-3 4
Equity Pen. Cap.	126.2	132 8	-3 9
Intl Pens. Cap.	143 2	150.7	+0.4
Fixed Int. Pens. Cap	100 3	105 5	1.3

G.T. Management Ltd.

16 Finsbury Circus, Lond EC2M 7DJ 01 628 0111

G.T. Pen Bond Fund	127 1	111 0	0 6
GT Pen High Yld Fnd	136 8	144 0	2 3
GT Pen Far East Fnd	134 5	141 6	2 9
GT Pen N Am Fd	126 5	133 2	+1 0
GT Pen UK&G E Fnd	151 4	165 7	2 9
GT Pen Wrldwde Fnd.	156 5	164 8	
GT Pension Bnd Fnd	130 4	144 3	-0 7
GT Pen High Yld Fd	150 7	161 1	2 7
GT Pen Far East Fd	169 4	178 4	9 1
GT Pen N Am Fd	186 2	196 0	+1 4
Pen UK and General	183 9	153 6	1 4
GT Pen Worldwide Fd	167 0	176 7	

Prices for Accum. Units only

Assicurazioni GENERALI S.p.A.

117. Fenchurch St., EC3M 5DY 01-488 0733

Intl Managed Bond.	174.7	183 9	

General Portfolio Life Ins. PLC

Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd Acc		275 2	-3 8
Portfolio Fd Int.		221 3	1 9

Continued on adjacent Page

Gresham Unit Ass. Ltd.

2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd	292.1	307.8	
Money Fd	159 6	168.0	
Equity Fd.	248 4	261.8	
Fixed Int Fd	118.8	125.2	
Property Fd	177 4	186.9	
Managed Pen Fd	285.6	309 9	
Equity Pension Fd	185 9	195.9	
Fixed Int. Pen Fd	170 1	179.2	
High Yield Pen. Fd	161.8	116.8	
Money Pension Fd.	133 7	140 7	
Property Pension Fd	112.9	140.0	

Gresham/Framlington

American & Gen Fd.	234 9	247 5	-0 5
Income Fd	220.2	232 0	2 2

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

WestAvon Secs (Guernsey) Ltd

Borough Hse, St Peter Port, Guernsey 0481 27965

Gilt & Option Fd.	£1.19	1.29		3.00
US $ Option	£0.86	0 91		–

World Wide Growth Management®

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.41	-0.13	–

Inv Adv. M & G Inv Mngt. Ltd., London.

Wren Commodity Management Ltd.

10, St George's St., Douglas IoM 0624 25015

Wren Com Fund	16 1	17 4	-5 6	–
Chinese Fund	60.3	62 6	-1.3	–
Precious Metal Fund	137 2	142 7	-1 0	–
Vanguard Cmdy. Fd	30.1	30 9	+0 7	–
Financial Futures Fd	55.3	57.5	-9 5	–

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. H Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ‡ Yield column shows annualised rate of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	Australians					
—	ACM 20c	14½	—	—	—	—
—	Allstate Explrn. NL	28	—	—	—	—
—	Asia Oil & Minerals	5	—	—	—	—
—	Aust. Hydrocarbons NL	13	—	—	—	—
—	Australis Mng NL	23	—	—	—	—
—	Balmoral Res.	35	—	—	—	—
—	Black Hill Mins	28	—	—	—	—
December	Bond Corp	82	—	Q10c	0.7	7.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb Aug	Eastern Trns. Cns. 50c	£17¼	30.12	Q85c	4.9	2.4
	For Echo Bay Mines see Canadians					
Sept Feb	Hampton Areas 10p	215	30.12	3.75	2.1	2.3
—	Highwood Res	170	—	—	—	—
May Aug	Homestake Mining $1	£21½	2.2	Q20c	—	0.7
October	Northgate C$1	300	9'77	—	—	—
Jan. July	RTZ	620	31.10	18.0	q2.6	4.2
Jan July	Do. 9½pcLn '95-2000	£140	31.10	Q9½%	♦	17.0
—	Sabina Inds C$1	70	—	—	—	—
—	Tara Expln $1	984	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- H No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

			Fin 13% 97/02	£93	....
Albany Inv 20p	81	....	Alliance Gas	70	....
Craig & Rose £1	800	....	Arnott	235	....
Finlay Pkg. 5p	50xd	....	CPI Hldgs	85	....
Higsons Brew	98	....	Carroll Inds.	130	....
Holt (Jos) 25p	890	....	Hall (R. & H.)	65	....
IoM Stm. £1	142	....	Heiton Hldgs.	19	....
			Irish Ropes	40	....
IRISH			Jacob (W. & R.)	63xd	....
Exch. 12% 1995	£99	....	TMG	50	....
Nat. 9¾% 84/89	£88⅝	....	Unidare	83	....

OPTIONS — 3-month call rates

Industrials		Hawker Sidd	38	Vickers	14
Allied-Lyons	15	Hse of Fraser	26	Woolworth Hldg.	50
BOC Grp	27	ICI	42		
BSR	26	'Imps'	12	**Property**	
Babcock	17	ICL	7½	Brit Land	11
Barclays Bank	45	Ladbroke	23	Cap Counties	16
Beecham	32	Legal & Gen	45	Land Secs.	25
Blue Circle	40	Lex Service	40	MEPC	25
Boots	16	Lloyds Bank	50	Peachey	17
Bowaters	25	'Lots'	3	Samuel Props.	12
Brit Aerospace	20	Lucas Inds	18	Sterling Guar.	4
BAT	15	'Mums'	14		
Brown (J.)	3	Marks & Spcr.	20	**Oils**	
Burton Ord.	22	Midland Bk	36	Brit. Oil & Min.	9
Cadburys	11	NEI	10	Brit Petroleum	35
Comm Union	16	Nat West Bk	60	Burmah Oil	17
Courtaulds	11	P & O Dfd	25	Charterhall	9
Debenhams	14	Plessey	20	Premier	6
Distillers	22	Racal Elect	18	Shell	55
Dunlop	5	RHM	8	Tricentrol	20
FNFC	6½	Rank Org Ord	24	Ultramar	50
Gen Accident	42	Reed Intnl	40		
Gen Electric	16	Sears	8	**Mines**	
Glaxo	70	TI	22		
Grand Met	30	Tesco	16	Charter Cons.	24
GUS 'A'	55	Thorn EMI	55	Cons Gold	58
Guardian	50	Trust Houses	18	Lonrho	12
GKN	20	Turner Newall	10	Rio T Zinc	60
Hanson Tst	17p	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 14

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

No stopping the dollar

BY COLIN MILLHAM

Only the brave, the foolhardy, and the central banks are looking for a weaker dollar at the moment. It is now around the same level against the D-Mark as at the end of last year of DM 2.7715. In January the dollar rose to a record DM 2.8425, before sentiment turned round sharply in February and the U.S. currency fell as the market showed growing concern about the very large U.S. current account deficit.

Dealers still suggest that the worrying U.S. trade figures will produce a weaker dollar at some time, but seem to have increasing difficulty in pinpointing the exact moment. By mid-March the dollar was looking particularly weak, but is now enjoying a period of renewed demand as it becomes clear that U.S. interest rates will stay firm for some time. There is also growing concern about industrial unrest in Europe, and whereas the UK miners' strike is having little impact on the pound, the German engineering workers local industrial action is dragging down European currencies with the D-mark.

It is now a situation where rising U.S. interest rates and an expanding economy are set in contrast to a rather static position in Europe, where interest rates will only be forced higher if external events dictate and there is growing doubt about the general ability of the economies to match the present pace of U.S. expansion.

Even the factors creating nervousness in the market did little to undermine the dollar, and simply increased the upward pressure on interest rates. Rumours that a major U.S. bank may be in difficulties, and the row between the White House and the Federal Reserve about interest rates policy, undermined confidence in the credit markets but gave a boost to the dollar.

At the same time no change in the producer price index in April, compared with expectations of a rise of about 0.5 per cent, and an increase of 2.9 per cent in April retail sales, against an anticipated figure of about 1.5 per cent, suggested that the U.S. economy is quite healthy at present.

U.S. bank prime lending rates rose another ½ per cent to 12½ per cent, and upward pressure continued on Eurodollar rates as the latest round of U.S. Treasury auctions was regarded as generally disappointing.

Against this background the market is again talking about record levels for the dollar and only determined intervention by the Bundesbank prevented the U.S. currency moving above DM 2.80 last week.

The Bank of England has something of a problem. As expected UK bank base rates rose last week, but this only helped the pound against Continental currencies. Any strong official support for the pound is only likely to continue this trend but may not prevent sterling touching new lows against the dollar.

£ In New York

	May 11	Prev. close
Spot	$1.3805-3810	$1.3795-3810
1 month	0.28-0.30 dis	0.27-0.30 dis
3 months	0.92-0.94 dis	0.86-0.90 dis
12 months	3.77-3.28 dis	3.75-3.85 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

May 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3805-1.3880	1.3845-1.3855	0.28-0.32c dis	−2.60	0.87-0.92dis	−2.58
Canada	1.7900-1.7960	1.7910-1.7920	0.29-0.39c dis	−2.28	1.11-1.22dis	−2.01
Nethlnd.	4.30-4.32½	4.31-4.32	1⅛-1c pm	3.30	3⅜-3¼ pm	3.24
Belgium	77.90-78.30	78.10-78.20	16-23c dis	−2.99	50-58 dis	−2.76
Denmark	14.00-14.05	14.02-14.03	2-2½ore dis	−2.00	4½-5½ dis	−1.51
Ireland	1.2435-1.2530	1.2485-1.2495	0.28-0.36p dis	−3.07	0.80-0.99dis	−2.87
W. Ger.	3.82½-3.85	3.83½-3.84½	1⅛-⅞pf pm	3.12	9⅛-3 pm	3.32
Portugal	193.00-194.50	193.50-194.00	90-265c dis	−10.99	345-880dis	−12.84
Spain	214.00-215.25	214.35-214.55	125-145c dis	−7.55	405-425 dis	−7.74
Italy	2360-2368	2362-2364	10-13lire dis	−5.84	34-38 dis	−6.09
Norway	10.83½-10.86½	10.85-10.86	8¼-4ore dis	−4.01	8-8⅝ dis	−3.06
France	11.76-11.80	11.78½-11.79½	2¼-3c dis	−2.67	7¼-8½ dis	−2.72
Sweden	11.22½-11.26½	11.24½-11.25½	1-1⅝ore dis	−1.40	3-3⅝ dis	−1.19
Japan	317½-319½	318½-319½	0.76-0.69y pm	2.87	2.40-2.30 pm	2.96
Austria	26.90-27.05	26.93-26.98	6-4½gro pm	2.39	16½-13½ pm	2.21
Switz.	3.15½-3.18	3.16½-3.17½	1⅝-1½c pm	5.44	4⅝-4½ pm	5.60

Belgian rate is for convertible francs. Financial franc 79.40-79.50. Six-month forward dollar 1.77-1.82c dis, 12-month 3.60-3.70c dis.

OTHER CURRENCIES

May, 11	£	$		£ Note Rates
Argentina Peso	54.79-54.91	39.50-39.64	Austria	26.80-27.10
Australia Dollar	1.5380-1.5400	1.1090-1.1093	Belgium	78.95-79.75
Brazil Cruzeiro	2,053.2-2,060.4	1,485-1,492	Denmark	13.95-14.08
Finland Markka	8.0060-8.0835	5.8375-5.8425	France	11.72-11.83
Greek Drachma	150.40-150.80	108.60-108.90	Germany	3.82-3.87
Hong Kong Dollar	10.825-10.8503	7.8175-7.8105	Italy	2345-2380
Iran Rial	123.00*	88.60*	Japan	316-321
Kuwait Dinar KD	0.4080-0.4090	0.2948-0.2948	Netherlands	4.29-4.33
Luxembourg Fr.	78.10-78.20	56.42-56.44	Norway	10.80-10.90
Malaysia Dollar	3.1830-3.1905	2.2993-2.3010	Portugal	190-199
New Zealand Dlr.	2.1380-2.1430	1.5430-1.5450	Spain	207¼-217
Saudi Arab. Riyal	4.8745-4.8800	3.5010-3.5220	Sweden	11.20-11.30
Singapore Dollar	2.9080-2.9133	2.1005-2.1020	Switzerland	3.15-3.18
Sth African Rand	1.7695-1.7015	1.2980-1.2835	United States	1.37¼-1.39¼
U.A.E. Dirham	5.0835-5.0890	3.6720-3.6730	Yugoslavia	187-207

* Selling rates.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.6442	+1.66	+1.58	±1.5447
Danish Krone	8.14104	8.20028	+0.73	+0.65	±1.6425
German D-Mark	2.24184	2.24222	+0.02	−0.06	±1.0642
French Franc	6.87456	6.89107	+0.24	+0.18	±1.4052
Dutch Guilder	2.52595	2.51880	−0.28	−0.36	±1.4964
Irish Punt	0.72569	0.729644	+0.54	+0.46	±1.6699
Italian Lira	1403.49	1381.29	−1.58	−1.58	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.3850	1.3880	1.3939	1.4029	1.4215
D-Mark	3.8400	3.8300	3.8095	3.7781	3.7218
French Franc	11.7900	11.8200	11.8888	12.0034	12.2456
Swiss Franc	3.1700	3.1559	3.1263	3.0861	3.0144
Japanese Yen	319.0	318.2	315.7	314.0	308.3

BANK OF ENGLAND TREASURY BILL TENDER

	May 11	May 4		May 11	May 4
Bills on offer	£100m	£100m	Top Accepted rate of discount	8.8843%	8.5434%
Total of applications	£366.5m	£380m	Average rate of discount	8.8843%	8.5466%
Total allocated	£100m	£100m	Average yield	9.09%	8.73%
Minimum accepted bid	£97.785	£97.87	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	82%	78%			

THE DOLLAR SPOT AND FORWARD

May 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3805-1.3880	1.3845-1.3855	0.28-0.32c dis	−2.60	0.87-0.92dis	−2.58
Ireland†	1.1070-1.1100	1.1085-1.1095	0.07-0.02c pm	0.49	0.18-0.05 pm	0.41
Canada	1.2940-1.2960	1.2940-1.2945	0.04-0.01c pm	0.23	0.04-0.01 pm	0.68
Nethlnd.	3.1100-3.1180	3.1130-3.1150	1.45-1.35c pm	5.39	4.45-4.30 pm	5.62
Belgium	56.35-56.60	56.42-56.44	2c pm-par	0.21	6-2 pm	0.28
Denmark	10.12-10.14	10.12¼-10.13¼	1.60-1.10ore pm	1.60	4.70-4.20 pm	1.76
W. Ger.	2.7640-2.7770	2.7710-2.7720	1.34-1.29pf pm	5.69	4.04-3.97 pm	5.79
Portugal	139.80-140.60	139.80-140.30	40-150c dis	−9.57	160-540dis	−10.00
Spain	154.70-155.30	154.70-154.80	65-85c dis	−5.81	195-245 dis	−5.68
Italy	1704-1708	1706-1707	5½-6lira dis	−4.04	15¼-16½ dis	−3.80
Norway	7.8300-7.8525	7.8375-7.8425	0.90-1.40ore dis	−1.76	0.90-1.30dis	−0.53
France	8.4925-8.5325	8.5125-8.5175	0.10-0.60c dis	−0.49	0.75-1.75dis	−0.59
Sweden	8.1170-8.1325	8.1225-8.1275	0.95-0.45ore pm	1.03	2.95-2.45 pm	1.33
Japan	225.30-230.50	230.20-230.30	1.04-1.00y pm	5.31	3.18-3.10 pm	5.45
Austria	19.43-19.50	19.43½-19.44½	8.20-7.70gro pm	4.90	26.25-24.75pm	5.24
Switz.	2.2810-2.2910	2.2870-2.2880	1.55-1.45c pm	7.87	4.68-4.58 pm	8.10

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 57.33-57.38.

CURRENCY MOVEMENTS

May 10	Bank of England Index	Morgan Guaranty Changes%
Sterling	80.0	−10.0
U.S. dollar	131.7	+19.8
Canadian dollar	88.9	−3.1
Austrian schilling	114.8	+3.7
Belgian franc	89.0	−11.3
Danish kroner	77.7	−0.4
Deutsche mark	124.4	+7.4
Swiss franc	148.3	+10.3
Guilder	114.5	+4.3
French franc	65.7	−13.0
Lira	48.1	−13.0
Yen	100.7	+15.1

Morgan Guaranty changes: average 1980-82=100. Bank of England index (base average 1975=100).

CURRENCY RATES

May 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.751345	0.585064
U.S. $	0	1.03866	0.809904
Canadian $	11.78	*	1.04913
Austria Sch	4¼	20.2414	15.7810
Belgian Fr	11	58.6012	45.6442
Danish Kr	7	10.5266	8.20028
D'mark	4	2.87957	2.24222
Guilder	5	3.23438	2.51880
French Fr	9½	8.83568	6.89107
Lira	13½	1772.73	1381.28
Yen	5	238.788	186.480
Norwgn Kr	8	8.16140	6.34753
Spanish Pta	—	160.883	123.592
Swedish Kr	8½	8.43288	6.57480
Swiss Fr	4	2.37438	1.84998
Greek Dr'ch	20½	112.830	87.9718

*CS/SDR rate for May 10: 1.34529

EXCHANGE CROSS RATES

May 11	Pound St'rling	U.S. Dollar	Deutsche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.385	3.840	319.0	11.79	3.170	4.315	2303.	1.798	78.15
U.S. Dollar	0.722	1.	2.772	230.3	8.515	2.288	3.114	1707.	1.294	56.43
Deutschemark	0.260	0.361	1.	83.07	3.070	0.826	1.124	615.4	0.467	20.35
Japanese Yen 1,000	3.135	4.342	12.04	1000.	36.96	9.937	13.53	7408.	5.616	245.0
French Franc 10	0.848	1.175	3.257	270.6	10.	2.688	3.660	2004	1.520	66.28
Swiss Franc	0.315	0.437	1.211	100.6	3.719	1.	1.361	745.4	0.565	24.65
Dutch Guilder	0.232	0.321	0.890	73.95	2.732	0.735	1.	547.0	0.415	18.11
Italian Lira 1,000	0.423	0.586	1.625	136.0	4.988	1.342	1.826	1000.	0.758	33.07
Canadian Dollar	0.558	0.773	2.143	178.1	6.581	1.762	2.409	1319.	1.	43.62
Belgian Franc 100	1.280	1.772	4.914	408.2	10.09	4.056	5.521	3024.	2.292	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 11	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	7⅛-7⅜	10½-10¾	10⅝-10⅞	5½-5⅞	2⅛-2⅜	5⅜-5⅝	11⅝-11⅞	15-16	10½-10¾	10¾-11½	6-6⅛	10¾-11¼
7 days' notice	7⅞-8⅛	10⅞-11	10½-10⅞	5⅛-5⅜	2½-2¾	5⅜-5⅝	11⅛-11⅜	15⅛-16⅛	11¼-11¾	11⅛-11¾	6-6⅛	10¼-10¾
Month	8⅝-8¾	11⅛-11⅜	10¾-11⅛	6-6⅛	3⅜-3½	5⅝-5¾	11¾-12	16⅛-16⅝	11½-12	11⅝-11⅞	6⅛-6⅜	10⅝-11⅛
Three months	9⅜-9½	11¾-12	11⅝-11⅞	6¼-6⅜	3⅝-3¾	5⅞-6⅛	12⅜-12⅝	16⅛-16⅝	11⅞-12¼	12-12¼	6⅛-6¼	11-11½
Six months	9⅝-9⅞	12⅛-12⅜	12¼-12⅛	6⅛-6⅜	4⅛-4¼	6¼-6⅜	13⅛-13⅜	16⅛-16⅝	12⅛-12⅜	12-12⅛	6⅛-6⅜	11-11½
One year	10⅛-10⅜	12⅝-13	12⅝-13	6¼-6⅜	4⅛-4⅜	6⅛-6⅜	14-14½	16⅞-17⅜	12¾-13¼	12⅛-12⅝	6⅛-6½	11⅝-11⅞

Asian $ (closing rates in Singapore): Short-term 10 15/16-11 1/16 per cent; seven days 11⅛-11¼ per cent; one month 11 7/16-11 9/16 per cent; three months 12⅛-12¼ per cent; six months 12 9/16-12 11/16 per cent; one year 13 1/16-13 3/16 per cent. Long-term Eurodollars two years 13½-13⅝ per cent; three years 13⅝-13¾ per cent; four years 13⅝-13¾ per cent; five years 13¾-14 per cent nominal closing rates. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

In need of firm guidance

There were a lot of long faces being dragged around the City of London last week as the market reacted to the recent rise in interest rates. Almost every aspect of the recent increase in UK base rates conceals some confusion. About the only clear consensus at the moment is that few people appear eager to say where interest rates go from here. There are signs that a full point increase in base rates would have provided a standing point, would have eased the Government broker's dilemma of trying to find a support level for gilts and may have given sterling a firmer look.

The latter point has to be qualified since sterling's position against many European currencies is more than healthy. If the rise in rates was "U.S. imported," where is the justification in moving rates to protect sterling? The Bank of England followed the rise in base rates by increasing its dealing rates by half a point which led to some wry comments about the tail wagging the dog. The mood of the market became even more sombre when the Bank left its dealing rates out to three-months showing a steady reverse curve, admittedly all yielding around 9 per cent but an unconvincing way of suggesting that rates may move easier and a direct contradiction of market sentiment where interbank rates show a true yield curve all the way out to one year.

The prospect of tempting an increase in mortgage rates so soon after they have been reduced may have played some part, however.

Discount houses have inevitably attracted some flak in selling paper to the Bank of England at the longer end. Band 4 bills were dealt at 8⅞ per cent while three-month eligible bank bills were quoted at 9 per cent, having touched 9¼ per cent earlier in the week. In fairness they only mirrored the market's bearish tone and acted in a way that anyone would have done in their position. However, the situation created more than a little animosity and unless the market receives some firm guidance there is every chance that recent nervousness may be compounded and so cause further unrest.

MONEY RATES

May 11	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.6	11⅛	2-3	5½-5⅝	5.38375	16½-16⅞	0.45	10½-11
One month	5.8-5.9	12-12⅛	3⅛-3⅜	6⅛-6⅜	6.09375	16⅛-16⅞	11⅝-11⅞	11½-12
Two months	5.90-6.05	12-12⅛	—	—	—	—	—	10⅝-10⅞
Three months	6.0-6.2	12⅛-12⅜	4-4⅛	6¼-6⅜	6.21875	16¾-17⅛	12-12¼	12⅛-12⅞
Six months	6.0-6.4	12⅛-12⅜	—	6⅛-6⅜	—	—	12-12¾	12⅞-13⅛
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11½	—	5⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

May 11 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	1-7½	6¾-7	4½-7½	1-7	—	—	—	—	—
2 days notice	—	—	7⅞-8⅛	—	—	—	—	—	—	—
7 days or 7 days notice	—	7⅞-8¼	8⅛-8¾	7¾-8¼	7-7¾	—	—	—	—	—
One month	8 15/16-8 13/16	8⅞-9 1/16	9	9-9⅛	8¾-8⅞	8⅞	8¾-8 13/16	8 13/16-8⅞	8⅝-8⅞	9⅛
Two months	8⅞-8⅞	8⅞-9⅛	9⅛	9½	8	8⅞	8⅞	8⅞	8⅞	9⅛
Three months	8⅞-9¼	9⅛-9⅜	9 1/16	9¼	9-9⅛	8 15/16-9 1/16	8 13/16-8⅞	9-9 1/16	8⅞-8⅞	9 1/16
Six months	9⅜-9 1/16	9⅜-9½	9⅜	—	—	—	—	9⅜	9¼-9⅜	10
Nine months	9¾-9⅞	9⅝-10⅛	9⅞	—	—	—	—	—	—	—
One year	9⅞-9⅞	10⅛-10⅜	10⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅛-9¼	—	9	11.05-11.25	9⅛-9¾	9 1/16-9⅜
Two months	9⅜-9⅜	—	9⅜	11.5-11.6	9⅞-10⅛	9⅛-9½
Three months	9¾-9½	—	9 1/16	11.7-11.8	10 1/16-10⅜	9 1/16-9⅜
Six months	9¾-9⅞	—	9 1/16	12.1-12.2	10⅜-10⅝	9¾-9 1/16
Nine months	10⅜-10⅛	—	10 1/16	12.5-12.5	—	—
One year	10⅜-10⅛	—	10⅛	12.6-12.8	10¾-11	10 1/16-10⅜
Two years	—	10⅜	—	—	—	—
Three years	—	10⅛	—	—	—	—
Four years	—	11	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV. Average Rate of interest period April 4 to May 1 1984 (inclusive): 8.934 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9 per cent from May 1, 1984. London and Scottish Clearing Bank Rates for lending 9-9¼ per cent. London Deposit Rate for sums at seven days' notice 5¾-6 per cent. Treasury Bills: Average tender rates of discount 8.843 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9¼ per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 10 per cent; nine-12 months 10½ per cent. Under £100,000 8 per cent from May 10. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. May 11)

3 months U.S. dollars

bid 12 1/16 offer 12 3/16

6 months U.S. dollars

bid 12 1/2 offer 12 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK (4 pm)

Prime rate	12½
Broker loan rate	12-12¼
Fed funds	10⅝
No fed intervention	—

Treasury Bills

One month	9.30
Two month	9.83
Three month	10.01
Six month	10.30
One year	10.60

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	88.22	88.35	87.77	88.16
Sept	87.55	87.62	87.11	87.47
Dec	87.11	87.11	86.71	87.03
March	86.75	86.76	86.35	86.68
June	86.44	—	—	85.34

Volume 12,953 (8,748)
Previous day's open int. 14,594 (14,523)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	90.61	90.61	90.51	90.61
Sept	90.15	90.15	90.04	90.13
Dec	89.73	89.74	89.66	89.70
March*	89.34	89.34	89.34	89.32
June*	89.95	—	—	89.93

Volume 1,431 (2,302)
Previous day's open int. 8,177 (8,784)
* £500,000 points of 100%.

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	104-06	104-27	103-31	104-26
Sept	103-19	104-08	103-15	104-06
Dec	103-00	103-20	103-00	103-21
March	102-18	—	—	101-07
June	102-04	—	—	102-21

Volume 4,862 (2,017)
Previous day's open int. 6,528 (6,505)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 16 to 24 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.3875	1.3895	1.3854	1.3845
Sept	1.3965	1.3965	1.3960	1.3930
Dec	1.4055	—	—	1.4025

Volume 496 (101)
Previous day's open int. 2,883 (2,894)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3623	0.3630	0.3621	0.3608
Sept	0.3678	—	—	0.3661

Volume 61 (174)
Previous day's open int. 448 (472)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4397	0.4404	0.4397	0.4398
Sept	0.4488	—	—	0.4484

Volume 5 (2)
Previous day's open int. 1,590 (1,590)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4362	0.4370	0.4362	0.4368
Sept	0.4424	—	—	0.4430

Volume 19 (25)
Previous day's open int. 383 (389)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	105.80	107.20	106.40	108.00
Sept	106.65	107.60	106.65	108.85
Dec	107.90	—	—	110.00

Volume 1,236 (1,182)
Previous day's open int. 481 (403)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	61-14	62-14	60-21	62-21
Sept	60-26	61-27	60-01	62-07
Dec	60-14	61-11	59-19	61-19
March	60-07	61-02	59-14	61-09
June	60-03	60-27	59-16	61-02
Sept	60-00	60-21	59-15	60-28
Dec	59-30	60-16	59-11	60-23
March	59-29	60-11	59-02	60-18

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
June	89.51	89.70	89.44	89.62
Sept	88.80	89.01	88.73	88.96
Dec	88.40	88.57	88.33	88.56
March	88.10	88.25	88.03	88.23
June	87.83	87.97	87.77	87.96
Sept	87.51	87.73	87.55	87.73
Dec	87.41	87.42	87.33	87.53
March	87.22	87.20	87.12	87.34

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
June	88.17	88.72	88.00	88.32
Sept	87.48	87.83	87.38	87.64
Dec	87.04	87.32	86.86	87.18
March	86.87	86.92	86.58	86.80

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
June	87.71	88.01	87.59	87.87
Sept	87.00	87.34	86.88	87.15
Dec	86.55	86.85	86.46	86.85
March	86.18	86.47	86.10	86.32
June	85.85	86.12	85.80	86.01

STERLING (IMM) $e per £

	Close	High	Low	Prev
June	1.3840	1.3915	1.3805	1.3865
Sept	1.3930	1.4010	1.3900	1.3950
Dec	1.4020	1.4110	1.4010	1.4050
March	1.4110	1.4210	1.4090	1.4145

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	66-02	66-12	64-31	66-17
Sept	65-00	65-07	63-28	65-12
Dec	64-04	64-08	63-05	64-14
March	63-12	63-15	62-26	63-21
June	62-24	—	—	63-00
Sept	62-08	62-10	61-28	62-15
Dec	61-27	61-29	61-15	62-02

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 11	change		May 11	change
LONDON			NEW YORK		
Base rates	9¼	+½	Prime rates	12½	+½
7 day interbank	7⅞	−⅛	Federal funds	10⅝	+⅜
3 mth interbank	9⅛	+⅛	3 Mth. Treasury Bills	9.93	+0.08
Treasury Bill Tender	8.8843	+0.3409	6 Mth. Treasury Bills	10.25	+0.09
Band 1 Bills	9	+½	3 Mth. C D	11.33	+0.85
Band 2 Bills	9	+½	FRANKFURT		
Band 3 Bills	8	+½	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	8⅞	Unch'd	One Mth. Interbank	5.85	+0.10
1 Mth. Bank Bills	9⅛	−⅛	Three month	6.10	+0.275
3 Mth. Bank Bills	9⅛	+¾	PARIS		
TOKYO			Intervention Rate	11½	−½
One month Bills	6.09375	Unch'd	One Mth. Interbank	12⅛	−⅛
Three month Bills	6.21875	Unch'd	Three month	13⅛	−⅛
BRUSSELS			MILAN		
One month	11⅝	+⅛	One month	16⅛	−⅜
Three month	12⅛	+¾	Three month	16⅛	−⅜
AMSTERDAM			DUBLIN		
One month	6	−	One month	11⅞	−⅝
Three month	6⅛	+⅛	Three month	12¾	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8⅞.

THE WEEK IN THE COURTS

The plate's the thing in Europe

INSURANCE OF vehicles travelling within the European Community until 1972 presented few legal problems.

A driver moving between the member-States had to obtain and produce at the frontier a green card showing evidence of insurance against civil liability for damage caused by his vehicle. This gave coverage of liability against which insurance was compulsory in the country visited.

The green card system was, however, an impediment to free movement, and as such ran counter to a main aim of the EEC.

Council Directive 72/166 had as its primary object the abolition of the green card system to facilitate the free movement of vehicles and their passengers in the member-States.

A necessary pre-condition of removing the green card system was that national insurance bureaux in the member-States should guarantee compensation in respect of loss or injury caused in their respective territories, and that all Community vehicles travelling within the EEC should be covered by compulsory insurance against civil liability throughout the Community.

The directive then provided for the situation where the driver of a vehicle was for one reason or another uninsured.

The directive obliged member-States to ensure that civil liability in respect of vehicles "normally based in its territory" was covered by insurance.

By Article 2, once the commission had ascertained that the member-States' insurance bureaux had concluded an agreement under which each bureau guaranteed the settlement, "in accordance with the provisions of its national law on compulsory insurance," of claims in respect of accidents occurring in its territory (whether or not such vehicles are insured) member-States were obliged to abolish checks on insurance against civil liability in respect of vehicles normally based in the territory of another member-State.

The decisive factor is the territory in which the vehicle is normally based. That was defined in Article 1 (4) as "the territory of the State in which the vehicle is registered; or in cases where no registration is required for a type of vehicle but the vehicle bears an insurance plate, or a distinguishing sign analogous to the registration plate, the territory of the State in which the insurance plate or the sign is issued; or in cases where neither the registration plate nor insurance plate nor distinguishing sign is required for certain types of vehicle, the territory of the State in which the person who has the custody of the vehicle is permanently resident."

The provisions of the directive have now come under judicial scrutiny. Legal proceedings arising out of two separate road accidents in France between vehicles have ponderously wended their way—the accidents occurred in 1976 and 1979—to the European Court of Justice, which has handed down two important rulings.*

In the first case a car belonging to a French company was damaged in Paris by a car bearing an Austrian registration plate. The licence to use the car in Austria had been withdrawn because it had ceased to be insured.

The driver and owner of the Austrian car not having been traced, the French company sued both the Bureau Central Francais, representing automobile insurance companies in France, and the Fonds de Garantie Automobile which compensates those suffering damage from uninsured cars.

In the second case a collision occurred near Le Paradou in France between a car registered in France and a Fiat car bearing West German number plates. The Fiat's driver had not been traced, but an occupant who had fled the accident told police the next day the Fiat had been stolen and consequently had been removed from West Germany's registration records.

An injured passenger in the French car sued the owner and driver of that car, but her action was dismissed on the basis that the accident was caused by the Fiat's unidentified driver. A second action was brought against a person who was found to have entrusted the Fiat to an inexperienced driver.

That action succeeded, and damages awarded to the French owner. The real dispute was, who should pay the damages—the Bureau Central Francais or the Fonds de Garantie Automobile?

The French court held that since the Fiat had been stolen, it had not been driven with the owner's consent and so, under French law, was not covered by insurance at the material time. Accordingly the claim against the Bureau was dismissed and the Fonds held liable. On appeal the Bureau was held liable since the car was registered and normally based in another member-state so the claimant could rely on the council directive's provisions.

The first question, common to both cases, was whether displaying a registration plate on the vehicle sufficed to affix liability as if it were a registered vehicle, even though the authorities had declared the licence to use the vehicle cancelled.

The question has produced different answers in different countries and in different bureaux.

The court held that it was imperative for the state where the vehicle is based to be easily identifiable if abolishing the green card system were not to be frustrated.

Identification could be ensured only by the issue of a registration plate. To require that the plate must be valid would be equivalent to replacing the green card system by a systematic verification of registration and would deprive the directive of any useful effect.

To adapt the Shakespearean quotation: "The plate's the thing."

The second question was peculiar to the second case and turned on the meaning of the phrase "provisions in its own national law on compulsory insurance." Is the guarantee by each national bureau a guarantee to settle claims on the basis of the rules for compulsory insurance in force in the state where it operates, or on some other basis which ignores any exclusions from insurance laid down by the law of its state?

One approach to the problem started from the fact the scheme is to provide for the free movement of vehicles insured in one member-state throughout the Community.

The bureau in the state where the accident happens must treat the vehicle as insured, so long as similar vehicles must be insured in that state, though subject to any limits of liability, for any accident which occurs. Specific exemptions from compulsory insurance provided by a national law cannot be relied upon to defeat a claim.

The handling bureau pays and recovers in the state where the vehicle is normally based, either from the appropriate bureau, if the vehicle is insured, or from the guarantee fund if it is not. Any other result, it is said, would leave gaps and the victim would lose the cover which it is intended to give him.

The alternative argument, advanced by the Italian and British Governments together with the commission, was that the only meaning which could be given to the directive is that claims in respect of vehicles from other member-states are to be met on the same basis as claims against vehicles covered by compulsory insurance in the member-state of the bureau handling the claim. That argument prevailed.

It might be desirable that the law on compulsory insurance for vehicle accidents should be identical in each member-state of the EEC, so that the citizen would know that he would be covered everywhere on a uniform basis. But the directive failed to achieve that purpose.

While it abolished the need for green card control at the frontier, it left intact the provisions of national law on compulsory insurance, save where express obligations were imposed by other provisions of the directive.

To have changed the position which obtained under the previous green card arrangement (covering liability against which insurance was compulsory in the country visited) would have required much more explicit language.

* *Gambetta Auto SA v Bureau Central Francais and another (Case 344/82) and Bureau Central Francais v Fonds de Garantie Automobile (Case 64/83)* [1984] 2 C.M.L.R. 1 and 17.

Justinian

COMPANY NOTICES

BASE LENDING RATES

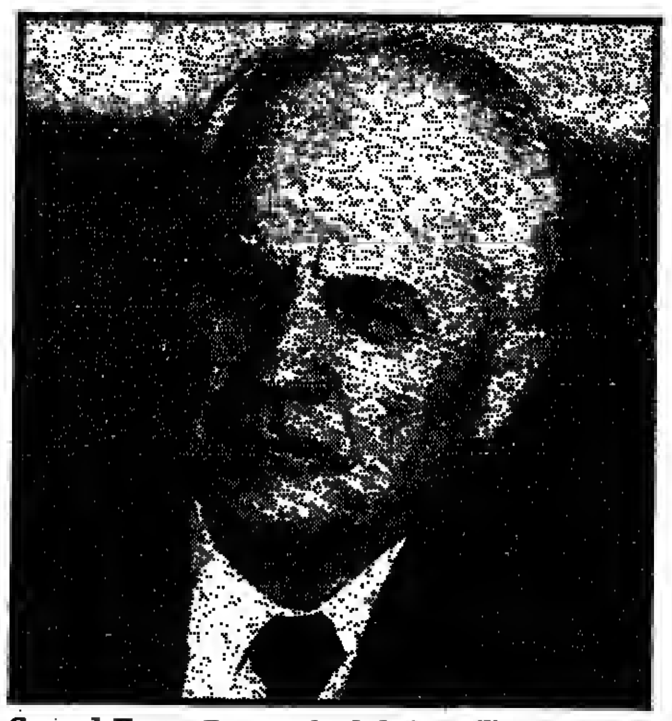
A.B.N. Bank	9 %	Heritable & Gen. Trust	9¼%
Allied Irish Bank	9¼%	■ Hill Samuel	§ 9¼%
Amro Bank	9 %	C. Hoare & Co.	† 9 %
Henry Ansbacher	9¼%	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9¼%	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9 %	Knowsley & Co. Ltd.	9¼%
Banco de Bilbao	9¼%	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9¼%	Edward Manson & Co.	10½%
Bank of Ireland	9¼%	Meghraj and Sons Ltd.	9¼%
Bank of Cyprus	9¼%	Midland Bank	9¼%
Bank of India	9¼%	■ Morgan Grenfell	9 %
Bank of Scotland	9¼%	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9¼%	National Girobank	9 %
Barclays Bank	9¼%	National Westminster	9 %
Beneficial Trust Ltd	10 %	Norwich Gen. Tst.	9¼%
Bremar Holdings Ltd.	9¼%	People's Tst. & Sv. Ltd.	9¼%
Brit. Bank of Mid. East	9 %	R. Raphael & Sons	9 %
■ Brown Shipley	9¼%	P. S. Refson & Co.	9¼%
CL Bank Nederland	9 %	Roxburghe Guarantee	9¼%
Canada Perm't Trust	9 %	Royal Trust Co. Canada	9¼%
Castle Court Trust Ltd.	9¼%	■ J Henry Schroder Wagg	9¼%
Cayzer Ltd.	9¼%	Standard Chartered	‖ 9¼%
Cedar Holdings	9 %	Trade Dev. Bank	9¼%
■ Charterhouse Japhet	9¼%	TCB	9 %
Choulartons	10½%	Trustee Savings Bank	9 %
Citibank NA	9¼%	United Bank of Kuwait	9 %
Citibank Savings	¶ 9¾%	United Mizrahi Bank	9 %
Clydesdale Bank	9¼%	Volkskas Limited	9¼%
C. E. Coates	10½%	Westpac Banking Corp	9 %
Comm. Bk. of N. East	9¼%	Whiteaway Laidlaw	9¾%
Consolidated Credits	9¼%	Williams & Glyn's	9¼%
Co-operative Bank	9 %	Wintrust Secs. Ltd.	9¼%
The Cyprus Popular Bk	9¼%	Yorkshire Bank	9 %
Dunbar & Co. Ltd.	9¼%		
Duncan Lawrie	9¼%		
E. T. Trust	9¼%		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp	11 %		
First Nat. Secs. Ltd	9¼%		
Robert Fraser	10 %		
Grindlays Bank	‡ 9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9¼%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.75%, 1-month 6.50%. Fixed rate 12 months £2,500 8% £10,000, 12 months 8.25%.
† 7-day deposits on sums of: under £10,000 6%, £10,000 up to £50,000 6¾%, £50,000 and over 7¼%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

FINANCIAL TIMES SURVEY

TURKEY

After three years of military rule, Turkey's new Prime Minister, Mr. Turgut Ozal, at last has a free hand to carry out reforms to liberalise the economy. But it is a path that demands much patience, if Turkey is to have the peace and stability it needs



General Kenan Evren, who led the military coup in 1980, and now President of Turkey. Martial law still remains in force in most of the country.

IN THIS SURVEY

● Politics:

The transition to democracy	2
The team around Prime Minister Ozal	2
Exclusive interview with new premier	3
Living with the army still in control	4
Media: still strict censorship	4
Labour: tight control on unions	5
Youth: the search for work	5
Profile: Prof. Sadun Aren	5

● Foreign relations:

Long-term policies	6
U.S. troops keep a low profile	6
Immigrant workers abroad	7
Relations with Europe are resilient	7

● The economy:

Further call for sacrifices	8
$1bn raised on foreign markets	8
Profile: Ekrem Pakdemirli	8
Banks: feeling the strain	10
More realism on free trade zones	10
The state economic enterprises	11
Profile: Namik Kemal Kilic	11
Foreign investment increasing	11
Relations with Arab neighbours	12
Energy: dependence on oil imports	12
Exports boom fizzles out	13
Imports: tariffs remain high	13
Shipping: merchant fleet expands	13

● Construction:

Public works: major plan under way	14
Ataturk Dam: a national dream	14

● Industry:

Adapting to a new world	15
Plastics sector: growing steadily	15
The motor industry: import fears	16
Textiles: a record year for exports	16
Traditional industry: metal-working	16
Turkey's main holding groups	16
Tourism: scope for development	17
Plans to improve communications	17
Agriculture: production declines	18
Coal output: lagging behind	18

● Society/the regions:

Women: myths and realities	19
The Black Sea Coast	19
The South, East and West	20

Moving cautiously towards reform

POLITICAL CAUTION and economic derring-do—these are the characteristics of Turkey today as it moves on from three years of total military rule.

The caution is shown by both armed forces and politicians. The men who led the military coup of September, 1980, are in no mood to see any tampering with the instruments of state which they forged between then and last November's parliamentary elections. Martial law remains in force in most of the country. The press and labour unions are kept on a tight rein.

By DAVID TONGE

General Kenan Evren, leader of the 1980 coup and now president, plays the forward role allowed under the constitution whose introduction he oversaw. He is active in foreign policy and security and makes clear he is not prepared to see the dignity of his position impugned.

For his part, Mr Turgut Ozal, winner of the parliamentary elections, has been taking no risks. His own position in the country was strengthened by March's municipal elections. Though these, like the November elections, were held under exceptional conditions, he emerged as the clear victor—not only over the parties sanctioned by the military but also over those which carried the spiritual mantle of Turkey's pre-coup prime ministers—but Mr Ozal knows the armed forces. For nearly two years he acted as deputy prime minister in their government.

He knows that patience is essential if Turkey is to have the peace and stability it needs. He also knows that, against many odds and the generals' own initial preferences, he finds himself with a unique opportunity to remould Turkey's economy in just the same way as the generals have reshaped its politics.

The Turkey of today is a far cry from the strife-ridden nation of the late 1970s with its terrorised inhabitants and worried allies. Abroad, it is again paying its way in the world. Its contractors and businessmen are welcome throughout the Middle East. The Japanese-style trading houses which have come to prominence as Turkey has briskly doubled its exports exude a new confidence in the country's future.

The near-bankrupt debtor of 1978 and 1979 is not merely servicing its rescheduled debt and meeting its bills but has net private and official reserves of over $2bn — almost an all-time record. The queues for medicine, light-bulbs, cooking oil and petrol are a memory. GNP growth has resumed and is expected to reach 5 per cent this year. Yet even Mr Ozal would say that this is only a beginning.

In the first place Turkey remains disparate and divided. No country in the Europe to which it aspires to belong shows the contrasts evident to even the fleeting visitor — between the largely feudal and Kurdish east and the booming coastal areas of the Mediterranean, Aegean and Marmara seas; between the traditionalism of the countryside with its mosques and landlords and the spreading consumerism of the expanding cities; between the squatter areas of those cities and the villas of the Bosphorus or luxury apartments of Ankara's Cankaya.

The same divide is seen in attitudes. It is easier to bridge Europe and Asia—as the Turks plan to do again—than to balance the enlightened, if nationalistic, world view of the country's ruling elite with the attitudes in villages and squatter town.

Take, for example, the question of religion. The claim of those who run the republic is that the secularism of its early founders, and in particular of Kemal Ataturk himself, is a sturdy flower. Yet anyone who visits the south coast with its villages made rich by greenhouse vegetables finds that the most striking buildings in those villages are those of the Suleymancus, religious purists who condemn the Kemalist state as atheist.

It is not often appreciated that this is one of the great mosque building periods in Turkish history and that one child in eight in secondary education is attending a religious school.

Such divisions are perhaps inevitable in a country growing and changing as fast as Turkey. As so often in its past, Anatolia is again the scene of massive migration from village to city. Istanbul has doubled in size in the last 15 years. Two-thirds of Ankara's population lives in unlicensed housing.

The troubles of the late 1970s reflected the frustration of the generation which had grown up in these squatter towns and looked forward to what society could offer it rather than back to how life was better than it had been in the village. Inevitably such divisions may emerge again. No country going through its industrial revolution is easy to govern. Yet the fact is that in the medium-term at least Turkey does have good chances of stability. And while there is criticism of parts of the constitution and individual laws introduced by the military, there is as yet no credible challenge to the overall system.

Censorship

It has to be emphasised that it would be hard for matters to be otherwise. Martial law and continuing censorship stifle public debate. Prison conditions remain disturbing, to judge from the recent hunger strikes in Mamak and Diyarbakir: both the Council of Europe and Amnesty International still complain of torture. At the same time there is the problem that the two largest opposition parties in the municipal elections are both excluded from parliament. One, indeed, faces the threat of closure.

But the overall situation is one where Mr Ozal has a free hand to carry out the reforms closest to his heart, those required to liberalise the economy.

His first five months in office have seen him act in the same way as he did in the far more difficult days of early 1980, mixing austerity with structural reform.

A tight monetary policy, a steep rise in interest rates and conservative budgetary policies represent one side of the coin. The other is that he has moved to liberalise imports, introduce a realistic exchange rate and dismantle the country's notorious foreign exchange regime. A Turk can no longer be prosecuted for having foreign banknotes on him. On the contrary he is now allowed to open a foreign exchange account with the banks.

The banks are given far greater freedom to trade in foreign exchanges and foreign investors are guaranteed the rights to transfer the proceeds of the sale of shares or real estate.

Some of these moves are only first steps; imports, for instance, are still subject to massive tariffs. Further, Turkey still remains a massively controlled economy, with many goods' prices, wages, interest rates and even the price to be paid for having a shirt ironed fixed by the authorities. But the general aim is to open up the economy and give the private sector a larger role. It is even planned to privatise national assets, such as the Bosphorus Bridge.

Inflation

Such moves and the increase in the deposit rates offered by banks are intended to raise the funds available for investment, and in the long-term they may indeed have this effect. But in the short term the problem is that inflation has edged up to around 45 per cent and shows signs of staying there a while before coming down.

This means the authorities are saying they will not reduce the interest rates paid on six-month deposits below 45 per cent gross until at least the end of the autumn. And this in turn means that interest rates charged to industrial borrowers are going to continue costing around 65 per cent — a fact driving many groups to near-bankruptcy.

Inevitably, the problems of such companies are rubbing off on the banks. Indeed, even bank owners admit as many as 25 per cent of their loans are non-performing. Some shake-out in the corporate and financial sector seems inevitable.

Two years ago a crisis of this sort in the shape of the collapse of a major money broker caused Mr Ozal to resign. This time he is making clear that he feels no responsibility for companies which go under: "'Sell your villas and sell your yachts' has long been my advice to businessmen short of working capital," he tells visitors.

The armed forces seem prepared to give Mr Ozal a free hand in this area. The opposition is still too fragmented to offer a sustained challenge. It points out that four years ago Mr Ozal was asking for four years to put matters right and now he is asking for yet further time for the same policies.

If he succeeds the Turkey which enters the 1990s will have a flourishing economy able to hold its own in international markets, to provide the Middle East with the food that area needs, and sufficiently able to stand on its own feet to be considered for membership of the European Community — the natural economic counterpart of its political relationship with the West.

If he fails it is probable that pressures will grow for Turkey to return to the protected, over-regulated model of development which dominated the 1960s and 1970s.

The challenge is not his alone, but one for those who believe a developing Turkey will be a force for stability in the area. For the success of his programme requires the flow of funds and technology from abroad. It is up to Mr Ozal to persuade the foreign business community that such investment can be safe and profitable. It is also up to him to persuade the Turks that this investment will help Turkey itself, thus laying the spectre of the collapse of the economy the last time the Turks opened their doors to the outside world, in 1838.

Last November's elections have led to a civilian Government taking office. This is committed to making a success of the new constitution and of the basic laws introduced by the generals. With martial law still in force, the country is being kept calm

Evren: a new symbol of unity

AT THE beginning of October, 1983, the owners of Turkey's major newspapers were given a confidential briefing by a senior military figure.

"We have not returned to democracy yet," he is reported to have told them. "The return will only begin on November 6th," (the date of the general elections).

His words were borne out by the almost agonisingly slow pace after the general elections at which power was transferred from the Ulusu cabinet to Mr Ozal's men.

It was seven weeks—December 13—before Mr Ozal took office. In the meantime, a host of major decisions were taken. Many of them (such as the contract to build F-16 jets in Turkey) were ones that will affect the country for many years to come.

Transition to democracy

DAVID BARCHARD

Since then, however, there has been evident concern among the military themselves in keep a low profile. Officers wearing uniform are now not allowed to enter the Grand National Assembly buildings except when protocol would formolly require them to do so. The civilian police have become increasingly visible on tho streets of the major cities.

In March martial law was lifted in five provinces and replaced by o aimilarly stringent but civilian-run "State of Emergency" in eight others—though it must be pointed out that it remains in force in 54 provinces and those in which it was lifted are not significant areas.

After Turkey's last major *military* revolution in 1960, tha return to full civilian rule proved humpy, despite the great popularity the revolution had enjoyed with much of the urban middle class.

There were repeated signs of displeasure among the military, auch as the buzzing hy the Air Force of Ankara. There were two abortive coup attempts in 1962 and 1963. And, of course, before o decoda was out, the military had intervened in politics once more.

Will the transition prove smoother and more successful this time around? There is no doubt that — whotever disappointment was felt in the army headquartera in November last yeor ot the defeat of the Nationalist Democracy Party, the generala' cherished candidate for office—the mood among inp commanders is that the withdrawal to the barracks must go ahead as swiftly as possible.

The most striking feature of this has been the relegation of the men who made up the Nationol Security Councll to honorific positions on a presidential advisory council.

President Kenan Evren himself has adjusted to a new role, that of statesman and symbol of Turkey's national unity to the rest of the world. Ha is said to retain an octive interest only in national security affairs and foreign policy.

The local elections of March 25 markad a further important step in the civilianisation of Turkey, by replacing appointed mayors (usually retired officers) with elected ones. At a stroke, one important layer of placemen was filled with civilian candidates—a changa of major significance to tho average small town Anatolian.

Where the central government is concerned, Mr Ozal has eschewed the principle adopted by nearly all his predecessors as prime minister of replacing virtually all top civil servants with men faithful to their party. In part Mr Ozal's stand is because a number of top administrators are men witb whom be had advanced or become familiar during his recent periods as head of the State Planning Organisation and Deputy Prima Minister. At the same time it must not be forgotten that under the new constitution, the president has considerabla powers over top appointments.

However, Mr Ozal has put civilions in charge of running the Anatolian Naws Agency and the TRT, *the Turkish Radio* and Television. Other changes are expected to follow where tha major state enterprises and banks are concerned. While Mr Ozal is in no apparent hurry. bis hand has been strengthened by bis totally unexpected dominance of the political scene. The Motherland Party, even though it polled only 41 per cent in the March 25 local elections, is much stronger today than any Turkish political party has been since the days of the late Adnan Menderes in the 1950s.

Mr Ozal not only has an overall majority in Parliament, but his Motherland Party controls the mayoralties of 54 of Turkey's 67 provincial capitals.

The two opposition parties in parliament are discredited by their performance in the March local elections: both tha other two parties authorised by the military to contest tha general elections in November failed to clear the 10 per cent burdle needed for representation in parliament.

Having had to battle with censorship, martial law and restrictive party laws, the opposition parties which were excluded from the General Election but entered the local ones have also proved little threat so far. The Trua Path Party which broadly espouses tha principles of Mr Suleyman Demirel (the pre-1980 prime minister) got only 13.7 per cent. This limits its ability to claim that in a free contest it would have beaten Mr Ozal in November.

Bulent Ecevit and Suleyman Demirel, Turkey's pre-coup prime ministers, now banned from political life. No party is allowed to act as their parties' successors

On tha left, the Social Democracy Party had an unexpected set-back in March when it collected only 23 per cent of the votes and failed to hold on to previous left-of-centre majorities in the big industrial centres.

Its leader, Mr Erdal Inonu, son of the second president of Turkey, is a highly intelligent but totally unaggressive man who is not well suited to lead a crusade against Mr Ozal from outside parliament.

In short, at present the prime minister has been lucky beyond any rational expectation. He has a very strong vantage point both against the military and against the other civilian politicians.

It is unlikely that this luck will give out very fast. Most Turks seem to favour allowing Mr Ozal to have a five-year term to experiment with the economy and seem prepared to endure belt-tightening for a year or two.

More austerity on the way

It is probable, in any case, that the worst effects of Mr Ozal's monetarist austerity programme now lie behind Turkey. Further austerity is promised but for many Turks, things may be going to get better rather than worse.

The appearance of Nescafe, imported cheeses and cigarettes, and other previously unavailable items has in ony case given the middle class, tha most articulate potential critics, a sense that Mr Ozal's policies are yielding results.

The risks probably still lie in a confrontation with the army. The decision in April to start a court case against the True Path Party, accusing it of being a continuation of the banned pre-1980 Justice Party, has caused Mr Ozal to express his hopes the party would not be closed.

Such a closure — or indeed any other moves against the party — would probably stir some public sympathy. They would not be sufficiant to prevent the formation of more parties along the same lines in the future.

There is also the spectre that similar prosecutions could ba launched against Social Democratic Parties nr traditionalist Islamic ones. If that happened, the credibility at home and abroad of Mr Ozal's claims that Turkey is moving towards democracy might be sharply reduced.

Lieutenants from Left and Right

THOUGH Mr Turgut Ozal has no rivals inside the Motherland Party, the personalities who will be prominent under his administration are rapidly developing into familiar public figures in Turkey.

Mr Ozal has reached to his right and, to a far lesser extent, to his left to build up his team.

The team around Ozal

DAVID BARCHARD

In weaving his cabinet he has drawn on all the threads of pre-coup politics. There are men — as usnal, no woman is a cabinet member — once close to the Justice Party of Mr Suleyman Demirel, quile a number with former links to the neo-fascist Nationalist Action Party, others previously close to the pro-Islamic National Salvation Party, and a smattering from the Republican People's Party of Mr Bulent Ecevit.

All these parties are, of course, closed. The leaders of the NAP are on trial, accused of involvement in numarous murders, and those of the NSP have been sentenced for infringing Turkey's han on the political exploitation of religion.

A second characteristic is his use of a number of non-political technocrats of tha sort who would fit well in a British conservative think-tank. Many of thesa are men with whom he has worked in the past, who know his thinking well, and who usually impress the visitor *with their direct, numerate and* no-nonsensa approach.

In general, these are people who have only short experience inside the civil service.

Erdem has a key role

Indeed, one of the problems that has arisen comes from the relatively little exposure they have to the difficulties of steering new policies from tha cabinet table through to the junior civil servants who have to implement them.

This task is falling largely on tha shoulders of Mr Ozal's closest associate, Mr Kaya Erdem. A former inspector of the Ministry of Finance, be became Minister of Finance in 1980 and is now Deputy Prime Minister.

Seen as diffident by most visitors, ha is considered hy Mr Ozal's entourage as a sound technician whose job it is to make a reality of Government policy decisions.

However, Mr Erdem is currently outshone in tha Turkish media by Professor Ekrem Pakdemirli, the powarful Undersecretary for the Treasury and Foreign Trode. He bas beaded major international trade delegations and oppears to be more or less in single-handed control of key mocro-economic policy and reform, despite his formal status as a civil servant.

Another figure prominent in policy formation is Dr Adnan Kahveci, a U.S.-trained electronics engineer. His formal title is Chief Adviser to the Prime Minister. New ideas and major policy initiatives as well as "feedhack" to the Prime Minister are his province.

Mr Kahveci was vetoed by the President from being a founder mamber of the Motherlond Party. But for pressures from the presidential palace he would probably bave had a place in the cabinet.

Among Mr Ozal's inner cabinet of seven ministers of state two key names are Mr Ismail Ozdaglar and Mr Mesut Yilmaz. Tha former, whose office is a scene of workaholic activity, is a U.S.-trained engineer and systems analyst who *prides himself* on having been the youngest-ever head of a state agency and today, aged 34, is perhaps the youngest-ever Minister in the Repnhlic.

He holds a mixture of trouble-shooting portfolios including responsibility for petroleum and Turkey's trade with its oil rich Middle Eastern neighbours.

Mr Yilmaz, who comes from tha private sector, is the Government spokesman.

A long-standing Ozal lieutenant, his nephew, Mr Husnu Dogan, has been given the Ministry of Agriculture. Mr Dogan had headed the Foreign Investment Department until a year ago and his transfer to agriculture implies some upgrading of this long-neglected sector.

Another relative in the cabinet is Mr Ali Tanriyar, the Minister of Interior, while the Prime Minister is reported to be planning to put his youngest brother Yusuf ot the helm nf the State Planning Organisation.

Mr Yusuf Ozal has recently returned from working for tha World Bank and no one qnestions his ability to hotd the post though the potential appointment has been criticised by the Left-of-centre press.

He is currently at work in the lower floor of the SPO, waiting fnr his appointment in be confirmed.

In the party structure, a key figure is Mr Halil Slvgin, a lawyer who for a period was defending the neo-fascist NAP. He has the task of holding together the party structure in a country where political party organisations hove always been notoriously fissile, but where the high morale caused by two election victories is causing the centre to bold.

The Press bas made much of the links between the administration and the Istanbul nrivale sector, in particular the Enka contracting and trading group which sunnlied Mr Vural Arikan, the Minister of Finance and Customs.

Bankers, such as Mr Erol Aksoy, head of the International Industry and Commerce Bank, Uluslorarasl, and Mr Gunes Taner, deputy head of Citibank's Istanbul office, are among those whose volces have been influential in Ankara for in many ways Mr Ozal's administration is like an Istanbul private sector brains trust.

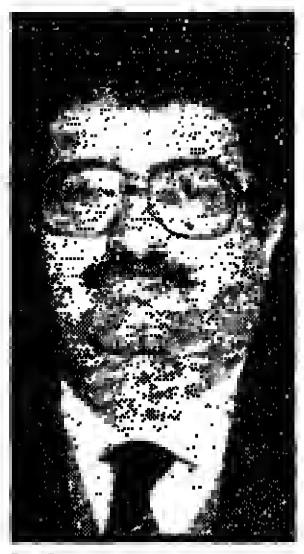
INTERVIEW WITH TURKEY'S NEW PRIME MINISTER

'Turkey cannot afford any more zig-zags'

Mr. Turgut Ozal discusses the transition from military rule in an exclusive interview with **David Tonge**

IN THE fullest interview the new Prime Minister has given to a foreign newspaper, Mr Turgut Ozal describes his step-by-step approach to the rebuilding of parliamentary democracy in Turkey.

He argues that conditions are not ripe for a settlement of Cyprus but says he favours meeting Dr Andreas Papandreou, the Greek Prime Minister. In his apartment along the Bosphorus, between a meeting with Turkish businessmen and electioneering in the poorer districts of Istanbul, he emphasised his commitment to open up the Turkish economy.



Ozal: "We know this is a critical five years".

Question: What problems have you had in sharing power with a military hierarchy which between the 1980 coup and last November's general elections had become used to total control of Turkey and which last November asked Turks not to vote for you?

Answer: At the beginning this subject was continuously on my mind. During the period of military government, the President had executive power and the ministers were only secretaries.

Everybody thought this would present problems since people are usually difficult when they are losing power. But right now there are no problems at all. We know that this is a critical five years. We have to succeed, not for our benefit, but for that of Turkey.

Q: How free a hand does President Evren give you?

A: The constitution gives him powers such as being able to preside over the Council of Ministers. Also, in a tradition going back to Kemal Ataturk, the President's signature is needed for many governmental decisions and decrees so he has many things to say. But we heve a very satisfying understanding on all major issues and especially the economy.

Q: What about foreign affairs in which he appears to play an active role?

A: Many things are the result of my initiative. But I know the President is interested end in many cases we get his advice. Also when Turkey's security is concerned the Netional Security Council may be involved. The president presides over that council. It also involves myself, three ministers and five commanders.

Q—And domestic security?

A—As you know, martial law is still in force in most of the country. Previously, martial law had been co-ordinated by the Prime Minister. Now it is handled by the Chief of General Staff. The commanders have more powers than previously.

Q—When do you intend to lift martial law completely?

A—I have no idea. We have to be very careful. Every four months we will study the case and bope to lift martial law in some provinces, as we just did in March. At the same time we have to make our police force stronger so that they can take over some of the tasks now carried out by soldiers. That will take time. But I tell you that if we held a referendum on whether martial law shoud be abolished, the majority of the Turks would say "no." They remember the political violence they suffered before the Armed Forces took over in 1980.

Tough years

Q—But today the country is calm. Why could you only return five of Turkey's 67 provinces to normal civilian rule and why did you feel it necessary to put 8 under the strict "state of emergency" provisions?

A—We have a saying: "If you have burnt your mouth with soup, you blow at the yougurt." We lived through very difficult years here. But even under the state of emergency provisions power goes to the civilian authorities. It is a first stage.

Q—How pleased are you with the speed at which Turkey is becoming a full parliamentary democracy?

A: I think two big steps have been taken, the general elections of November and the local elections of March. The first one established a parliament, the mechanisms of government and the first single party majority since 1969. Some people believed it was designed to lead to a party of the Left and one of the Right, hut we came through in the middle.

However, abroad it was seen by some as rigged because three of the six parties were not allowed to contest it. That is why in some respects the second elections were more important.

We knew that et some point we would have to face the challenge of the three other parties and we also knew that if they won a majority an early general election would be necessary and people would begin to qnestion the military takeover of 1980.

But I said we had to face the other parties as early as possible. We changed the election laws so they could contest the election. Look at the results. We came first in 66 of the country's 67 provinces. If it had been a general election, we would have won 291 of the 400 seats in parliament.

Q—In the event your party won 41 per cent of the vote, compared with the total of 37 per cent won by your two main opponents. How ean you run a parliamentary democracy wben neither of the main opposition parties is represented in parliament?

A—I tell my opponents in today's parliament that if they are too tough on me I will call a third election. Probably none of them would be re-elected.

Q—Why don't you do that?

A—What country gets three elections in a row?

Q—What do you intend to do with the basic laws rewritten and made mnch tougher by the military such as those on unions, the political parties, the media, rights of association and the universities?

A—The people who seized power on September 12, 1980, saw four or five areas as very important for the stability of the country. They drew up laws with the experience of the precious five years in mind and therefore we have to test these laws. Time is required one year, two years, five years. We have to see how the laws operate. Turkey cannot afford any more zig-zags back and forward.

Q—But can the country afford a university regime which causes as many as 1,100 university teachers to be lost to the system?

A—That is true. I know there are problems there. We are also losing staff hecause of the high pay offered by countries sucb as Saudi Arabia.

Q—Do yon intend to make changes here or in, say, union law?

A—It is not easy. Some of the articles in these laws are required by the constitution itself. To cbange that we need 300 of the 400 votes in parliament if the President vetoes the change. That would be difficult. I know it.

Q—Are yon planning an amnesty for political offenders?

A—I am sorry about thet. Most of them have been sentenced under certain articles of the penal code which are the very ones which the constitution makes it impossible to forgive.

Q—Can yon not change those articles then?

A—My bands are tied. We have to wait to the next elections. To make any partial or limited amnesty all three parties in parliament should agree and that is not simple. Right now our problem is rehabilitating our sons and daughters in prison.

Q—Surely such developments as the mass bunger strikes in Mamak military prison and the deaths in Diyarbakir prison show that the prisons are not being run in a way to help rebabilitate prisoners?

A—This is an area I have tried to learn more about. We appointed a commisslon to investigate. I read its report. I think what was said abroad was not true. But military prisons have their rules, as do military schools. People must obey those rules. The military will not do things wbicb ere not in the prison regulation book.

Q—Would this not mean that the beating of prisouers and torture are sanctioned from the very top?

A—Every torture complaint is studied. So far there have been 682. Of these, 398 were found to be groundless, 146 are being investigated and 80 have led to trials; 381 people bave been arrested for mistreating prisoners.

Q—But so few people are ectually *sentenced* while Amnesty International has a list of 80 deaths alone.

A—There may be such complaints, but which are geouine? Most of them are trumped-up. I am not saying there is no torture in our prisons. It could not be so because the security people are not educated to deal with what is e new type of prisoner for them, the ideological terrorist prisoner. These nrisoners are much tougber. They do not normally think of themselves as killers or thieves. Tbey think they bave ideals.

Q—How did yon react when the military forbade the Turkish press to print what yon said on prison conditions at your last press conference?

A—There is no such conflict between the martial law authorities and the Government of the sort implied in your question. As you know, parliament bas the power to lift martial law.

Q—What abont gronps not involved in violence such as the Peace Association, beaded by men such as e retired ambassador and the former head of the Istanhul Bar Association? Should they not be released?

A—I cannot say. I really do not know the case. But don't forget that Communist propaganda is a crime in our country. The laws go back to the 1930s. I ask people from the Council of Europe "These laws were used to punish people In the 1950s:" Where were you then? Why do you only complain today?"

Q—But to most people the Peace Association far from doing Communist propaganda was only qnestioning Western arms policy in the way that, for instance, your friend Mr Robert Macnamara, the ex-U.S. Secretary of Defence, does?

A—Some people say that groups sucb as the Peace Association and Disk (the radlcal trades union confederation whose leaders face a possible death seoteoce) were oot pulling the trigger, but others such as the prosecutors say they were tbe braios, tbe organisers behiod the violence.

Q—Whicb is your position?

A—I have no idea. I am not involved. The military courts will decide. We bave nothing to do with tbe courts. But I get letters from abroad. They are written with Ideotical words. One power seems to be controlling this from bebind.

Cyprus issue

Q: Turning to foreign policy, what is the reason for y nr belief thet conditions are not suitable for a settlement of the Cyprus dispute?

A: The U.S. Congress Is making this hard. The Senate Foreign Relations Committee bas said that part of the U.S. aid programme will ouly be given to Turkey if the Turkish Cypriots open Varosba to settlement by the Gre:k Cypriots.

Under such conditions I don't think there will be any solution. It has interrupted the dialogue whicb was going on between the Turkish Cypriots and the United Nations.

Q: Bnt isn't It time that Turkey proposed some new way forward to belp a solntion instead of steps such as recognising Mr Denktash's unilateral declaration of statehood and exchanging ambassadors.

A: The Greek Cypriots gave ns no alternative with all their ettacks on the Turkish side and attempts to impose an economic embargo. Greece is not helping in all this.

Q: But Greece sees Turkey with its landing craft in the Aegean and Aegean Army as a threat?

A: We alweys tell them categorically that we have no demands on their soil. They must believe that. But equally they should obey the treaties requiring the demilitarisation of the Aegean islands.

Q: When you call them Aegean islands are you questioning that they are Greek islands?

A: I have sald we have no demands on Greek soil: But in the Aegean we have to settle problems such as airspace and territorial waters.

Q: Do yon fevour meeting Dr Andreas Papandreou, the Greek Prime Minister, on these matters?

A: Yes. I have let him know this. It would be useful for the two Prime Ministers to know each other but here, too, conditions are not suitable for a settlement. That is why we believe in the importance of encouraging communications, tourism and trade between the two countries. It is also why I recently abolisbed the requirement for Greeks to obtain visas to come to Turkey.

Q: One step which wonld improve the etmosphere is if economie pressure was eased on the 5,000 Greek orthodox remaining from the once-large Greek community of Istanbul. Will you make sure that they can buy as well as sell land and, as they asked you in January, that their eharitable foundations are not prevented from raising their rents to market levels in line with other foundations.

A: It will belp if the Greeks do not bring pressure on the Moslems of Thrace. I will check on the situation of the foundations but oppose any discrimination.

Q: Do yon propose to apply for full membership of the EEC?

A: We are studying this. Our target is to join the Community. One approach might be applied right away. We have some problems with the Community. Sometimes to help solve problems you need to increase the problems. In my opinion, under its present government and conditions, Turkey is eligible to join the Community right away, though in some areas transitional periods might be necessary.

Q—Do you propose any basic changes in Turkish foreign policy?

A—No, but we will probably be more active as Turkey regains its economic standing in the world. We wish to be active in strengthening our friendships in the whole Middle East, but we will not hecome involved in the Lebanon or any dispute in the area.

But the Iran-Iraq war is dangerous for the wbole area and so many people are being killed. We are prepared to mediate if invited by the two sldes, both of wbom are our friends. But mediation must be at the right time.

Q—On the economic front, do you intend to proceed with opening the country to competition and foreign investment?

A—Yes. We are planning a new law to consolidate existing regulations and widen the protectioo offered to foreign investors. We have already moved a long way to liberalising the foreign exchange and import regimes. There is no way back. Like Tariq Ibn Ziya, the Arab commander wbo took his troops into Spain, we have burnt the ships behind us. There is only a minimal list of prohlbited imports now. Each year we hope to bring tariff barriers down.

Key targets

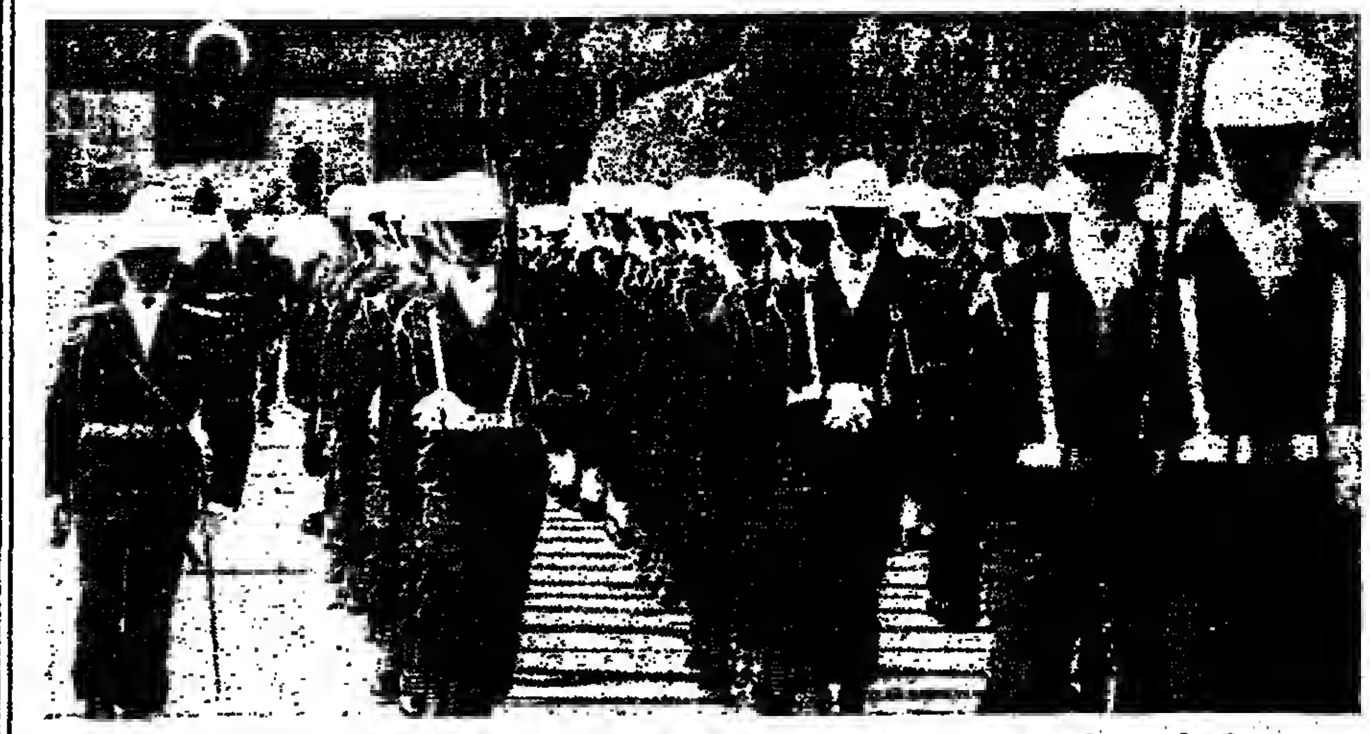
Q—And your other priorities?

A—Tackling inflation through a tight monetary and budgetary policy correcting regional imbalances, taking the bureaucracy off the Turks' backs, solving the housing shortage and easing unemploymeot. It is the middle pillar of society we aim to help. We have moved fast putting the recovery laws in place. Now we can work on going forwerd.

Q — In 1980, when you launched the economie programme which yon continne today yon said that Turkey would he rich in four years and the people would cease to have to tighten their belts. How much longer do yon think the Turks must wait?

A: Inflation was allowed to soar after I left office in 1982. That bas cost Turkey precious time and means that we may need until the end of the year to repair the damage. Originally, we should have regained our 7 per cent growth rate by 1985.

Now it may take longer. Bnt we are on our way.



The presidential guard of honour, Ankara. Most Turks accept the army's claim to be the guardian of the nation's values

A force for national unity

THE ELECTION last November of Mr Turgut Ozal's Motherland Party, in preference to the generals' choice, the Nationalist Democracy Party of Mr Turgut Sunalp, was a rebuff for the army. It would be an unwise observer, however, who took this to denote a growing disrespect for the military in the mind of the average Turk.

Most citizens regard the army as their saviour from a bloodbath in 1980. In the three years before the coup, more than 5,000 people had been killed in terrorist violence, and the rate had climbed to more than 20 political assassinations each day. No party or coalition could form an effective majority government.

Living with the Army

BRIAN GROOM

The three military interventions since 1960 have been peaceful and, in particular initially, relatively popular. Most Turks either accept the army's claim to be the guardian of the nation's values, or are too uncomplaining to dispute it.

Turkey has had only some 25 years of interrupted civil democracy, whereas the role of the army in national consciousness goes back 1,000 years during which military authorities and the Government were indistinguishable.

Liberal intellectuals grumble privately about torture, purges of university teachers and the rising living standards of officers—reflected not so much in their pay as in benefits like good pensions, likely sinecures in the private sector when they retire, subsidised army shops and the luxurious officers' clubs which have sprung up on prime sites around the country.

One of these under construction in Ankara has marble from floor to ceiling, plush red carpets and fine bars and restaurants. Other grand ones have been built in Istanbul, Famagusta in Cyprus and in the skiing area of Uludag.

The relative prestige of the military profession may have slipped in the past 20 years as modernisation raised the status of other occupations, but the officer corps still enjoys a popular esteem which would be incomprehensible in many other countries.

This rests partly on Turkey's centuries-long tradition of military leadership. Besides, the officers' ethos is perceived as one of general if austere decency.

Their attitude towards civil rights appals Western European countries, but, given the ignorance on this issue resulting from censorship, most citizens accept the generals' arguments: that the number of deaths is exaggerated, torture is not systematic, and that some soldiers have been punished in proven cases of maltreating prisoners. Brutality occurred in Turkish prisons for years before the coup, the regime's supporters' argument runs: So why all the fuss now?

The officer corps is meritocratic. Many come from modest provincial backgrounds: a 1980 survey of students at the Ankara military academy showed that 29 per cent were the sons of workers or peasants and 24 per cent sons of civil servants or teachers.

As in other countries the conscripts who comprise the bulk of Turkey's 550,000 soldiers, seen self-consciously guarding such crucial installations as pedestrian crossings in Istanbul and Ankara, are everybody's sons. In a country of strong regional jealousies they are seen as a force for national unity: the army sends villagers from eastern Turkey to serve in Istanbul ,and vice-versa. However, away from the public eye in the East their fist is far from velvet-gloved.

The army's presence on the streets has been slightly reduced, and retired officers have ceased running town halls following March's local elections, but the army has by no means withdrawn to the barracks. Martial law continues in 54 of Turkey's 67 provinces, and the politicians are kept on a fairly short leach: Mr Ozal made no public protest after reporting of a Press conference which he gave last month was censored.

The generals' constitution endorsed in a 1982 referendum means President Evren is in power for seven years and has a veto over constitutional changes which can be overridden only by a 75 per cent majority of the 400-seat assembly. He appoints the chief of staff, members of the constitutional court, and all university rectors.

He presides over the National Security Council (NSC) and can call the Council of Ministers together and conduct the meeting. Ministers must give priority to decisions on measures which the NSC considers necessary to protect not only the country's independence and territory but also the security and tranquillity of society.

Officers are probably divided in their own minds about how far to withdraw from civil life. Some undoubtedly want to get back to soldiering and feel that training has been neglected. They are also uneasy about the rumblings of corruption which have surfaced with the army's involvement in civil administration.

On the other hand, the military's belief in its own responsibility for what happens in public life runs deep. It wants to find a system for running the country which will avoid the breakdowns under civilian governments which have marked the past 40 years.

Army commanders have been political leaders since the days of the Central Asian hordes. In the Ottoman empire, sultans were military, political and religious leaders.

Mustafa Kemal Ataturk avoided wearing his uniform and sought to lay the foundation for civilian rule in the republic he founded in 1923; but he continued to be addressed as pasa (general), former officers filled many administrative posts, and a multi-party system was not established until 1950.

Conservative

The conventional view of the army is that it was one reformist but has become unimaginative and conservative. In the 19th century the establishment of officer training schools led to the creation of civilian schools and to a new élite of officers and civilians willing to challenge tradition.

The constitutionalist Union and Progress Committee, or Young Turks, who flourished between 1910 and 1918, were mainly army officers.

The generals are still capable of a little boldness. The Kemalist heritage might have led them to embrace a state economic system in 1980, but instead they largely went along with slow moves towards a less regimented economic regime and kept Mr Ozal as deputy prime minister.

After his departure two years later the policies became tempered with caution and in last year's elections the generals were distinctly uneasy about his pledges, but Mr Ozal's victory and return to power will probably not suit them ill so long as he continues to provide stability.

Video parlours and censored news

THE NEWLY-APPOINTED head of Turkey's State Radio and Television, Dr Tunca Toskay, had been in the post for less than a week before he announced his first major decision—to axe the BBC TV series "The Thorn Birds" on the grounds that it contained Christian propaganda.

For many, the news was uncomfortably similar to periods in Turkey's recent history when programmes as diverse as "The Ascent of Man" and "Mork and Mindy" were suddenly deemed unsuitable for Turkish audiences. Like other areas of national life, Turkey's media have been highly politicised in the past and though new patterns are starting to emerge, improvement in quality may not be easy to achieve.

Changes in the media

DAVID BARCHARD

Turkey's newspapers, debilitated first by the politicisation and party strife of the 1970s and later by strict—and continuing—martial law censorship, find many areas of discussion closed to them.

At the top end of the market, Cumhuriyet, traditionally the paper of Left wing intellectuals has become somewhat less militant.

It can nowadays run an interview with Mr Ozal or the U.S. Ambassador quite routinely, which would have been impossible a decade ago.

Its new format seems to be moving closer to that of the quality press in the West and its sales have begun to rise reflecting this, from 60,000 to a still-low 105,000, though the paper's chief columnists, Mr Ugur Mumcu, Mr Ilhan Selcuk, and Mr Oktay Akbal remain uncompromising socialist polemics writers.

The real innovations, however, are coming at the other end of the market where papers like Tan and Bulvar offer their readers a mixture of sex and scandal which has even less to do with news, in the conventional sense of the word, than the contents of some British newspapers.

The longer established dailies—Hurriyet, Milliyet, Tercuman, Gunaydin as well as the more recent Gunes — seem to be in something of a rut which even the return of parliamentary politics cannot lift them out of. All of them were shut down at least once, and some of them repeatedly, in the last three years.

Possibly because of their divisions among themselves (Tercuman and Cumhuriyet have a long-standing feud and Hurriyet once published an appeal to the military to shut Gunes down), the papers have made little joint effort to resist censorship and, indeed, vie with each other to denounce foreign criticism on human rights as unpatriotic. A military ban still in force prevents them from publishing 'anti-Turkish' articles in the world's Press.

The track record of the newspapers in defending their own interests over the last three years is not very impressive.

There was no joint stand against a repressive (and almost universally condemned) Press Law last year which was actually ratified in the interim between the general elections and the appointment of the new Government. It gives prosecutors the power, among other things, to shut down an entire printing works because of a single article—before it is published.

Scores of journalists, including the country's leading woman columnist, Mrs Nazli Ilicak, have gone to prison. There have even been moves to bludgeon the foreign press into submission. One agency's local correspondent has been beaten up by the police and his complaint left without investigation.

Two Turkish nationals, working for foreign news agencies, have been banned from travelling abroad because of court cases six years and eight years old.

The former correspondent of this paper, Mr Metin Munir, was threatened with deportation two years ago, and even since Mr Ozal took office some agency correspondents have had their sleep disturbed by the presence of plain-clothes policemen in cars outside their homes.

There is no immediate sign of any improvement. Instead, Turkish publishers are turning to sex and technological innovation for new ideas.

Even by British standards, Turkey's entry into the video market has been amazing. Video parlours have mushroomed along the main streets of Ankara and Istanbul, and video sets are now part of the staple equipment of many Anatolian coffee houses and even the more luxurious intercity buses.

The demand for video films is seen by many Turks as a natural reaction to the insipid diet offered to them by the Turkish Radio and Television. The average evening offers a slow-moving repertoire of old films, semi-educational documentaries, ponderous panel discussions, and sanitised news programmes.

Dallas, *Dynasty* and other American imports make up the high lights for most viewers, a few times in the week. Interest in the doings of the principal actors in these series occupies much space in the multi-coloured daily supplements of the mass-circulation press.

The TRT was among the most fiercely fought over of Turkish institutions in the last decade. Many of its leading personalities, such as the TV presenter Erkan Oyal, were casualties in the struggle.

Late last year, passions about a historical feature film were so intense that it was formally burned, having been earlier filmed with official approval.

But there is talk of a second channel and possibly even cable TV before the end of the decade—the pressure from consumers is running well ahead of the ability of the traditional media, including the TRT, to satisfy their expectations.

SUBJECTS BANNED IN THE PAST YEAR

Prime Minister Turgut Ozal's remarks on prison conditions during a recent press conference.

A boycott of food by students

News that the brother of the would-be assassin of the Pope wished to talk with President Evren.

Articles on the banning of beards and girls' headscarves and clothing regulations at universities.

The hold up by robbers of 16 cars in Eastern Turkey.

Reports on major robberies in Istanbul and Ankara.

Charges of foreign exchange smuggling against one Turk.

The trial of a retired officer accused of espionage.

News about former Prime Ministers Bulent Ecevit and Suleyman Demirel.

The crashing of an Iraqi helicopter near Ankara.

Comment on the dismissal of university professors.

Anything about the visit of the Saudi Foreign Minister other than statements by the Turkish Foreign Ministry.

A demonstration by the wives of Turkish prisoners.

Details on prison conditions.

Still a tight control on trade unions

Labour
BRIAN GROOM

THIS MONTH Turkey's muzzled labour movement is allowed to start its first collective bargaining with employers since the generals seized power in 1980. But the rights of trade unions are, if onything, more constrained than those of politicians in the country's return to partial democracy.

There was a grin on the face of Mr Nazim Tur, the shipyard workers' leader, when be walked into the Ankara headquarters of the moderate Turk-Is union federation waving the first bargaining licence. His union was the first to strike in Turkey since the 1980 coup, he said: even in the present difficult circumstances 1,400 members at Halic Shipbuilding, Istanbul, had recently staged a boycott of company-provided meals.

However, the turbulence which made Labour relations a misery for employers before 1980 will not return for the foreseeable future. For one thing the radical union federotion, Disk, which was behind much of it, has been dissolved, its leaders tortured, and accused of trying to overthrow the state in a trial which has dragged on since 1981 amid international outcry.

Surviving group

Turk-Is, a "non-political" nrganisation which enjoys a relatively co-operative relationship with tha anthorities, has survived. Against accusations nf collaboration levelled at it by left-wing exiles, Turk-Is has argued that pragmatism was the only way to minimise damage to union rights.

Now it must demonstrate how that strategy will benefit the 1.8m-plns members it claims to represent. It has become more vociferous, arguing for instanca that Government-inspired price rises have undemined pay increases of 25 per cent plns TL 2,000 per month recently awarded by the Supreme Arbitration Council. But if it is to back np its words with real strength it faces a tough task.

Martial law or states of emergency which prohibit strikes have been lifted in only five of Turkey's 67 provinces. Even when these restrictions are removed, repressive labour laws approved last year still make the country's labour movement the most shackled in non-Communist Europe.

Secondary industrial action, political and general strikes ore banned. Go-slows and picketing are prohibited, and the Government can impose 90-day cooling-off periods followed by compulsory arbitration.

A range of workers including health, gas, electricity, coal, oil and municipal bus workers are banned from striking. Unions are forbidden to give or receive support from political parties.

Strikes may not he "prejudicial to the principle of good will, to the detriment of society, or damage national wealth." Illegal strikes can be punished by up to 18 months in prison, or half as much again for a second offence.

"With these lows we cannot get organised, we cannot strike or conduct a healthy collective agreement," said Mr Sevket Yilmaz, Turk-Is's tub-thnmping president. Turk-Is is pressing for changes, bnt Mr Turgut Ozal, the Prime Minister, is reluctant to make major changes until the laws have been tried for a period. If any changes are made these are likely to concern just the nit-picking rules governing internal union procedures.

The more restrictive items are required hy the generals' constitution promulgated in 1982.

Mr Ozal has set the raising of living standards and reduction of unemployment as two of his main aims, but his austere counter - inflationary policy suggests no short-term easing of these problems. The foreign investment he wants to entice comes partly in search of cheap labour.

Take-home pay has been outstripped by inflation. Turk-Is claims that reol wages have fallen hy more than 50 per cent in five years. The Government points out that tax cuts bave offset o little of this, and that the biggest fall was in the three years hefore the coup. But the downward trend is none the less clear.

To qualify for collective bargaining rigbts, unions have had to sbow that they represent not only 51 per cent of workers in a factory but also 10 per cent of workers in that overall sector of activity. After some argnments and oppeals, most Turk-Is affiliates have qualified.

So have those of the right-wing union federation Hak-Is, which the official figures show to have a surprising memhership of more than 100,000. Turk-Is has formally accused employers of helping to manipulate Hak-Is's figures in order to split the union movement from the right.

Wage rises since 1980 have been set by the nine-member Supreme Arbitration Council, with union representatives in a minority. Average wages were officially said to be TL40,000 a month ($1,500 o year) before this year's round of increases, hut Western companies say the true figures may be lower.

Unemployment is officially put at between 15 and 20 per cent, but underemployment, caused particularly by the seasonal nature of agricultural work, means that its real level is somewhat higher.

Turk-Is's problem is that a lot of its members have clearly voted for Mr Ozal's tough policies. The federation's morale, bowever, bas been Improved by the Internotional Confederation of Free Trade Unions' lifting of its suspension of Turk-Is.

The suspension was imposed after Mr Sadik Side, its general secretary, became Social Security Minister in the generals' administration. It was lifted after he was suspended from his union post, hut lost December the Turk-Is congress voted him back in as general secretary.

Sober climate

Many Disk leaders in exile now want their activists to join Turk-Is and radicalise it. But although Turk-Is has recruited ex-Disk members, there seems little chance of a militant takeover in today's sober climate.

The plight of the ex-Disk leaders continues to be deplored by bodies like the ICFTU, the European Trades Union Confederation and the International Labour Organisation. The trials begun in 1981 have been extended to include former Disk affiliates os well as the central body, and more than 1,000 people are now on trial.

The death penalty is sought in 68 cases, thongh it is unlikely to be given.

The dissolution of Disk, and the new lows, have been widely welcomed by employers. Before the coup, strikes were severely disrupting output. Employers claimed that poorly-educated workers were being exploited by Disk for revolutionary ends, and that union activists took reprisals against people wbo worked faster than their colleagues.

An intense struggle to find jobs

The new generation
DAVID BARCHARD

TURKEY OUGHT to be a youth dominated country. Persons under 20 years old make up 49.4 per cent of the population, a far higher percentage than in the other OECD countries.

It is a slice of the population which in many ways differs strikingly from earlier Turkish generations, even though Turkey remains very much a traditional society in which family life makes a deep imprint on the young.

Abont 24 per cent of the population now goes on to secondary education of some sort though only 11 per cent of the 15 to 19 age-group receive lycee education.

Television, affluence, urbanisation, and virtually universal literacy (illiteracy in Turkey now tends to be confined to those born before primary school education became virtually universal, and particularly to women and inhabitants of remote areas) have all played their part in shoping a generation.

It is a generation for whom family ties are intense, hut which is self-consciously modern and familiar with the Western medio and its personalities.

A good thing? Not necessarily, as Turkey's rulers found out to their surprise in the troubled years before 1980.

As in other developing countries, school-children proved to be the most natural receptacles for political militancy. The underground Left-wing and Right-wing movements whose fighting brought the country close to a standstill by September, 1980, were typically composed of members of the 14 to 24 age-group. An entire generation was affected.

To meet a Turkish school student on the eve of the army take-over was to meet someone who was bound to be at least indirectly in touch with the underground organisotions.

Today, three and half years of martial law have firmly suppressed most of the groups agitating for a Marxist or a Fascist Turkey. Many Turkish students will express their gratitude at having been educated at a tima when—at least as far as law and order were concerned—the country's classrooms are working normally.

Still the problems of the generation remain acute. For a start there are over 400,000 entrants to the labour market each year in a country where unemployment is around 20 per cent already. The struggle to find jobs is intense and many farming families find themselves ohliged to send surplus odolescents to eke out a living in marginal occupations such as bootblacks in the big cities.

For the minority who do get into lycees, there is a scramble for university education. Until 1982, only about one in every 10 lycee leavers could hope to go onto university.

As a result of a controversial and widely unpopular university reform, the student intake has been virtually doubled but this has been done without adequate provision for the increase in numbers. As a result, many young Turks who do, face a student career of classrooms where there is standing room only, to be followed hy eventual graduate unemployment.

As a result, entry into Turkey's elite lycees requires months nf cramming for special examinations. Children and adolescents in the big cities (who nowadays may start commuting to playschools at 8 am from the oge of two onwards) are locked into a gruelling work-schedule which leaves little time for recreation.

This is just as well as by Western standards, Turkish lycees have little in the way of clubs or sports facilities. Restrictive laws on private associations make it hard for unofficial bodies to try and fill the gap.

The luckiest adolescents in Turkey are probably those who drift into business, rather than education, while still in their 'teens. It is not uncommon for restaurants and shops in provincial Anatolia to he set up hy persons under 20—in which case apart from military service of 20 months—a young entrepreneur can look forward to o well-off existence running a successful business for the rest of his days. But such individuals are inevitably a minority.

Through record shops (present in most towns) and hamburger hars and discotheques in the big cities and tourist areas, Turkish youth is beginning to establisb itself as a consumer market.

Chains of cbeap fashionable clotbing (sucb as Altinyildiz's Carsi shops) oriented to young customers ore starting to appear, but as yet the purchasing power of the under-twenties appears very limited by comparison with the West.

With the lid firmly down on the pressure cooker, it is difficult to know to what extent the extremism of the 1970s has genuinely disappeared, or whether it is still fuelled by frustration and resentment.

The Prime Minister, Mr Ozal, has spoken several times recently of the need to win the hearts and minds of the young.

PROFILE: SADUN AREN

Prof. Aren: life-long socialist.

Economist released on bail

SADUN AREN, as a left-wing professor of economics, is the kind of man who ends np behind bars almost every time there is a military conp in Turkey. He claims to bave been tortured only once — by baving the soles of his feet heaten by securily police in Istanbnl while under interrogation for a month in 1981.

Prof Aren, who is 62, has been arrested twice in the past 20 months. On Angust 9, 1982, he was taken in and charged with making Communist propaganda in his teaching materials at Ankara's Economic and Commercial Academy.

Released three months later after being acquitted, he was arrested again the same day for the work he used to do at the social and economic resource centre of the nnion federation Disk, which was banned in 1980.

He is not charged with terrorism. Of the 147 defendants in the main Disk trial, 68 face a possihle (bnt unlikely) death penalty for allegedly trying to overthrow the state, and he is charged with helping them. Prof Aren was beld in the high-security Metris military prison early in 1983 and has just been released on bail.

Turkey's prison conditions are notorious. Beating by guards is freqnent ot places like Mamak, where there have been mass hunger strikes, and Diyarbakir, while the government has recently started a new special "E type" of prison apparently designed to modify prisoners' behavionr. Metris too has been one of the less pleasant prisons with Aren kept in a small cell with 18 other prisoners and allowed an average 15 minutes exercise per day in the cramped prison yard. Newspapers and books are not allowed and the short weekly conversation he may have with his wife is via lelephone throngb a glass screen with soldiers listening in.

Dr Aren was held with Disk leaders like Mr Abdullah Basturk. The evidence against him incindes his attendance at a World Peace Conference in Athens in 1978 and a library list at the Disk resource centre containing names of pnblications inclnding those of the Frencb Communist Party.

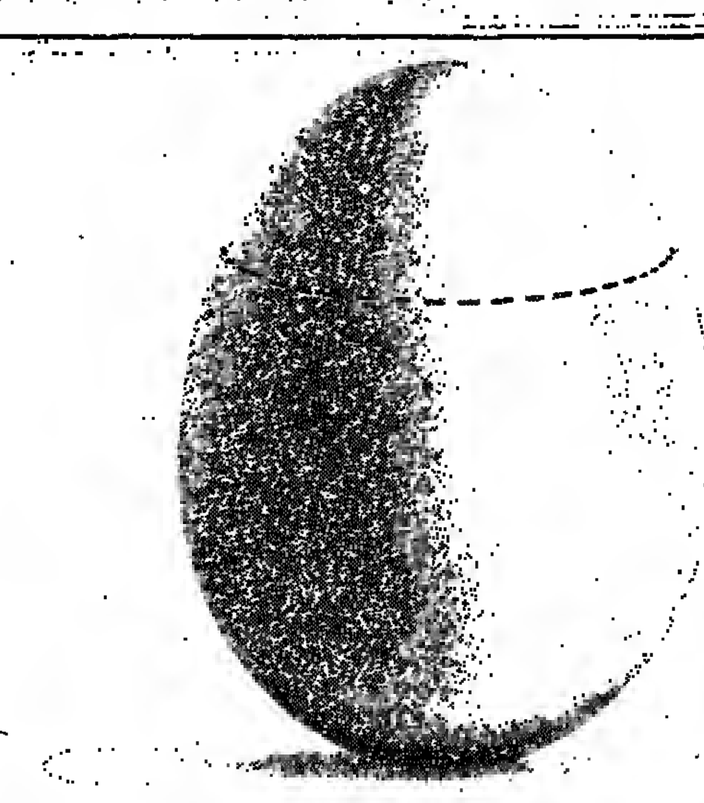
Professor Aren is a lifelong socialist. Born in Erzurum, he gradnated in political science from Ankara University in 1944 and tanght there for 21 years, becoming Professor of Economics in 1957. During a break in 1951-55 he worked for the United Nations in Geneva and studied at Camhridge University and the London School of Economics.

In 1963 he joined the Turkisb Workers' Party and in 1965 became one of its 15 members of parliament, representing Istanbnl. In 1969 he did not stand again and tried to return to Ankara University, bnt the President and the then Prime Minister, Mr Snleyman Demirel, did not approve his appointment.

When a military government took power in 1971 he was thrown in jail, along with other members of the party's executive committee, and sentenced to 12½ years' imprisonment for communist propoganda.

He was released 2½ years later as part of a general amnesty. Althongh a successor to the wound-up Turkish Workers' Party was founded in 1975, he refused to join it. He argued that Article 141 of the Penal Code copied from Mussolini and banning any attempt to overthrow the political, social, economic or legal order of the State made founding socialist parties a self-defeating act.

BRIAN GROOM



Staying well out of Russia's orbit

TURKEY'S NEW foreign minister, Mr Vahit Halefoglu, speaks fluent Russian and fluent Arabic—as well, of course, as flawless English and German. His linguistic abilities summarise Turkey's need to draw upon diverse strands in dealing with the rest of the world, a need complicated by the country's growing relationship with the rest of the Middle East.

Despite the gloomy predictions of some foreign critics, Mr Ozal's arrival in power has not signalled an abrupt turn about in Turkey's foreign policy involving the country strengthening its bilateral ties with the United States and downgrading its links with Europe while moving closer to its Middle Eastern neighbours.

Long-term policies

DAVID BARCHARD

In dealing with such problems, Turkish diplomats, for all their professional polish and sophistication, are poorly equipped to make initiatives.

Apart from political considerations inside Turkey, where foreign policy issues very often become entangled with national pride, especially where dealings with Cyprus or Greece are concerned, Turkey's foreign policy making since 1924 has been geared to preserving an existing set of political and military arrangements, rather than trying to stimulate change.

There is little sign that this basically defensive and reactive strategy will change. The Turks long ago acquired the knack of participating in as many international gatherings as possible (from Nato and the Council of Europe to Islamic Summits) and exerting a moderate influence at them.

This policy has paid off handsomely in the last few years in trade terms, though it has brought disappointments in purely diplomatic ones. No country, with te possible exception of Brunei, has so far recognised the Turkish Republic of Northern Cyprus, not even Turkey's cherished "brother" countries of Pakistan and Bangladesh.

But Turkey's foreign policy is sufficiently pragmatic to put trade and economic interests above political ones. It looks like being a long time before the country abandons its curious but successful policy of backing the West but sticking to the consensus (more or less) in Middle Eastern gatherings.

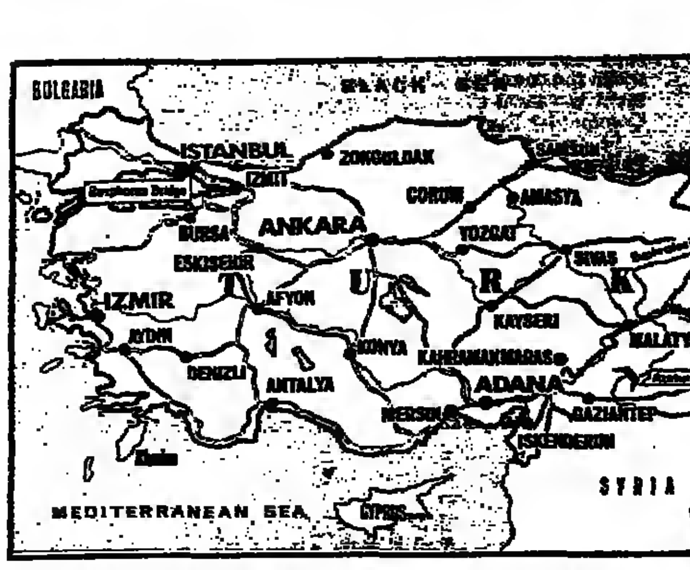
Instead, relations this spring with the U.S. appear unexpectedly tetchy while an EEC official describes the relationship between Turkey and the Community as being much more relaxed than for a long while.

Mr Ozal, far from turning his back on Europe, has pursued an active policy of seeking Turkish participation in the parliamentary assembly of the Council of Europe and the revival of the Turkish-EC Parliamentary Joint Association Council, while keeping alive but not playing up earlier talk of a Turkish application for full EEC membership in the near future.

Complexity

Yet, in many areas of foreign policy — the Middle East, Europe, Cyprus, and elsewhere —the increased complexity of the problems confronting Turkish diplomacy in the 1980s may force choices to be made. Until now, on many issues the essence of Turkish foreign policy often consisted of skilfully avoiding excessive iovolvement.

There is no doubt about Turkey's determination to stick to its pro-Western and pro-NATO foreign policy. Though the matter is seldom publicly discussed in the country, the fundamental goal of Turkish foreign policy remains keeping the country out of the Russian orbit.



Military education continues to stress to conscripts that it is the Russians—rather than the Greeks—who are the main threat to the country.

Through a combination of armed vigilance within NATO and a calculated policy of good-neighbourliness and the eocouragement of some trade links, the potential for conflict with Turkey's mighty northern neighbour has been neutralised to the point where it is often overlooked by the rest of the world.

Inside the umbrella of protection afforded by Turkey's membership of the Western alliance, other goals are less clear cut. The major discernible aim of the succession of major visits to foreign countries since 1980 appears to have been economic.

From Malaysia to Iran to Saudi Arabia and Jordan, the objective of Turkish official visits has been to develop friendly relations with countries which might develop into major markets.

The Gulf War and its windfall gains for Turkish exporters have displayed in the eyes of many Turks the advantages of cultivating good diplomatic relations with potential trade partners while staying firmly out of political disputes.

Thus, even on the Arab-Israeli dispute, despite a great deal of pressuring from Arab governments, Turkey has not severed its vestigial diplomatic ties with Israel. To do so might endanger its relations with the U.S. and in particular provide a boost for Congressional figures lobbying for more military aid to Israel at the expense of Turkey.

Mr Ozal has made a point of trying to emphasise the pragmatic aspect of Turkish foreign policy in dealing with the country's disputes with Greece. The new Prime Minister shows many signs of agreeing with those in Western Europe who find the Turkish-Greek and Cyprus disputes an anachronism.

When he took office last December he made a point of offering a "hand of friendship" to Greece and he has since lifted the requirement that Greeks obtain visas to visit Turkey.

His aim is to strengthen exchanges between the countries by promoting tourism, trade and cultural links.

However, the Greek Government of Dr Andreas Papandreou has found nothing of substance in these moves and considers it is still threatened by the Turks with their landing craft in the Aegean.

Further, Athens is incensed over Cyprus.

Last November the Turkish Cypriots declared an "independent state of Northern Cyprus" and one month ago the Turks and Turkish Cypriots exchanged "ambassadors."

All this, and some scuffles in March over alleged firing by a Turkish naval ship near Greek fishermen, mean that Athens is in no mood to consider there to be much friendship in Mr Ozal's hand.

Efforts by the Senate Foreign Relations Committee to pressure the handing over of the Varosha new town area of Famagusta so that Greek Cypriot refugees could resettle there under UN auspices have led to intense anger in Ankara.

One issue on which the Turks would like more Western attention is the assassination of Turkish diplomats by Armenian groups.

What is perceived as sympathy for the gunmen by successive French administrations has brought Turkish-French relations to an all-time low.

Elsewhere in Europe, human rights groups have injected a prickly defensiveness into Turkey's dialogue with Western Europe to which Mr Ozal's Government is responding with an attempt to investigate major allegations of abuse.

There is no doubt that the release of the 29 defendants in the Turkish Peace Association Trial would open the way, for example, to such improvements in dealings with Europe as the release of $513m in aid under the EEC's Fourth Financial Protocol for Aid to Turkey.

Turkey's new Foreign Minister, Mr Vahit Halefoglu: making few changes so far

U.S. troops keep a low profile

Since 1980, Turkey has emerged as the successor to the Shah's Iran as America's closest partner in the region.

This is of course a definition of the Turkish-U.S. relationship which both sides would find embarrassing, yet the combination of strong strategic interests, burgeoning economic links, and warm political friendship is undoubtedly reminiscent.

Relations with the U.S.

DAVID BARCHARD

For the U.S., which maintains about 10,000 troops still on Turkish soil in bases which are officially designated Turkisb since the 1980 Defence Cooperation Agreement, Turkey is not just a major base for Nato operations in the Eastern Mediterranean and for intelligence gathering from Soviet Central Asia. It is also the friendliest country in the region after Israel and the most reliable partner.

The disruptions in Turkish-American relations over the past decade (for instance, the three-year embargo on defeoce sales from 1975 to 1978) were not the result of any anti-Americanism on the part of governments in Ankara.

For Turkey, the U.S. has been, since it took over from Britain in 1947 as the country's major Western ally and protector, a shield against possible Soviet expansion. Turkey's Nato membership is, in many respects, simply the exteroal packaging of what is essentially a bilateral defence relationship with the U.S.

Turkisb-American relations are free of many of the strains which have bedevilled the U.S. elsewhere. Successive governments have backed the friendship with America, so in the eyes of most Turks the relationship is not unduly compromised by any association with an unpopular régime.

Friendship

The U.S. military presence in Turkey, once an irritant because of the visibility of its higher standards of living, now takes a low profile. The gap between Turkish middle-class life and the lifestyles of U.S. servicemen is, in any case, narrower today than 20 years ago. Friendships between Turks from quite modest backgrounds and U.S. personnel are taken for granted these days.

This is not to say that anti-Americanism is non-existent in Turkey, but it is certainly much less virulent than it was two decades ago when press campaigns against the U.S. were routine. It must surely also be much weaker than in almost any other Mediterranean state except Israel.

The main irritant is the annual debate in Congress over aid to Turkey. Turkish Government end public opinion regard U.S. military (and to a lesser extent economic) aid as the natural corollary of Turkey's defence commitments to the U.S.

Remarks such as one by the United States' present ambassador in Ankara, Robert Strausz-Hupe, that the Fiscal 1985 aid programme of $934m is a lot of mooey by any standards tend to be greeted with either incredulity or outright annoyance.

There was a predictable hard-line response in March to the news that the Senate Foreign Relations Committee had voted to make the disbursement of $215m. of 1985 military aid conditional on the handing over of the new town of Varosha in Famagusta to United Nations administration.

Turkey's tough reaction on this, which seems to have gone as far as ordering army officers not to mix socially with Nato officers in Turkey, was little surprise.

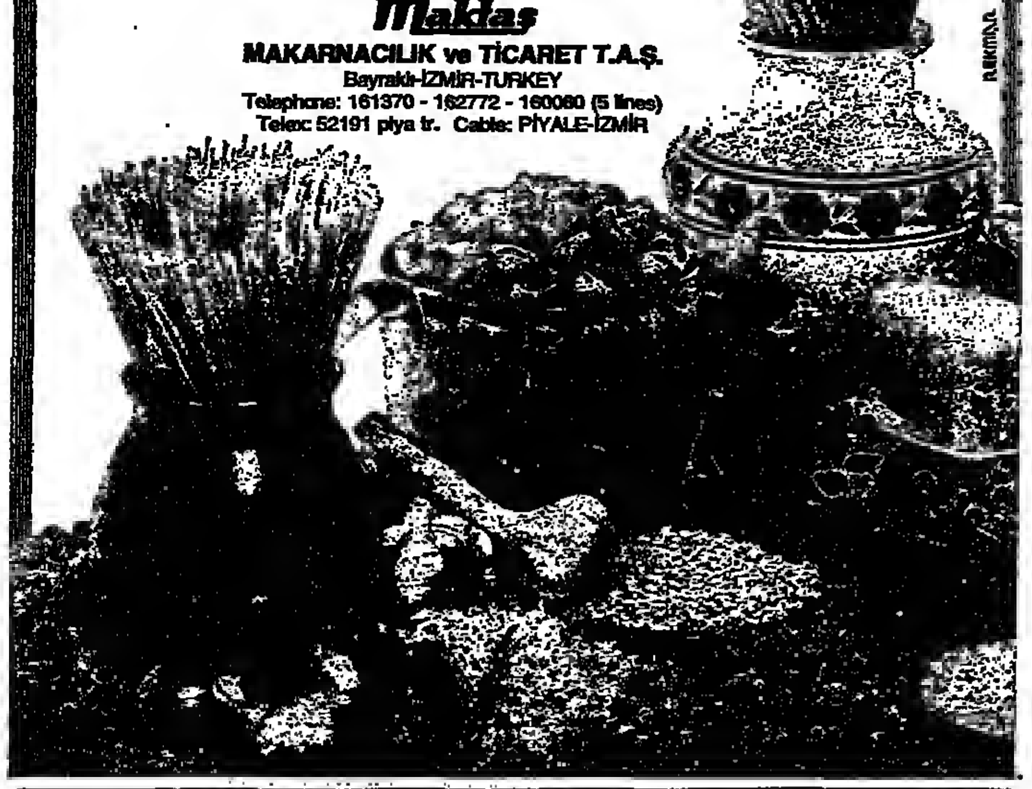
Since the Turkish Cypriot declaration of UDI on November 13, 1983, the Government and public had been monitoring developments in Washington to see if there was likely to be any recurrence of the 1975 arms embargo or anything similar.

Turkey was particularly irritated as in late 1983 it had—unprecedentally—allowed transit facilities at the Incirlik base, near Adana, to U.S. troops on their way to the Lebanon. By Turkish standards, these carefully restricted facilities were a major concession to U.S. interests, not granted in 1967 or 1974.

Mr Ozal's Government, which contains several American-trained figures, will seek to continue what is overall a very good relationship, while not shrinking from quiet tough talking. Mr Ozal's policies are widely admired by U.S. businessmen and the government is continuing efforts to attract more U.S. private capital into Turkey.

However, though it is not publicly admitted, Mr Ozal's top economic planners are not happy about the $4.25bn agreement, signed last December for the manufacture of 160 F-16 jet fighters by a joint venture of the state aviation corporation Tusas and General Dynamics in Turkey.

"Very expensive," was all that one of Mr Ozal's senior officials would say about the deal which was actually signed after the general elections by the outgoing government. Others are more forthright. They believe that the U.S. should not have encouraged the deal to go ahead.



Immigrant Turks sceptical about taking German citizenship

FOR THE first time in a decade there was a slight fall last year in the Turkish population of West Berlin, from 119,820 to 117,370. But it was not the start of a large-scale repatriation of Berlin Turks, according to city experts on the Turkish Gastarbeiter families.

Many of the departing Turks took advantage of a city offer to pay low income families up to D-mark 5,000 towards their removal costs and a portion of the train fare home. The Turks, were also able to collect their accumulated pension contributions in a lump sum from the West German Government.

Those who decided to return home were mainly between 40 and 50 years old. They plan to use most of the pension money which sometimes amounted to as much as DM 50,000 when both husband and wifo worked, to set np their own small husiness in Turkey. Turks in Germany often dream of ending their dependent wage relationship when they return home.

West Berlin officials take pains to explain that enticements to leave Germany are insignificant compared with the city's efforts to help to intergrate the Turkish population of Berlin, the largest of any West German city. DM 100m is spent annually on intgration schemes, while the new repatriation benefits amount to DM 1m a year.

A recent survey of Berlin Turks, revealed that a larger percentage than ever—83 per cent—said they could not say precisely how long they intended to remain in Germany.

More than one-third said they would return home if they were abla to start up their own business.

Another large group of Turkish Gasterbeiter said they would return when they had saved enough money. A smaller number said that their children's schooling would first have to be completed.

The survey showed that the overwhelming majority of Berlin Turks remained sceptical about taking German citizenship even if there were no problems attached. This view contrasts sharply with a report by Frau Barbara John, West Berlin Commissioner responsible for foreigners, which said that Turkish families wanting to remain in Berlin should begin to consider taking German citizenship.

Under German law, citizenship can be obtained after 10 years residence in the country, and a reasonable command of the German language and knowledge of German life. The City Government has called on West Germany to allow foreigners of 18 or over, who have lived in the country for eight consecutive years, to obtain citizenship if the native country does not object or make it difficult.

Workers abroad
LESLIE COLITT in Berlin

Turkey, however, opposes its citizens taking German or any other foreign citizenship, so only a few more than 100 Berlin Turks took German citizenship last year.

Two-thirds of the Turks in Berlin surveyed replied negatively to question "If you had a daughter of age who did not want to return to Turkey would you respect her wish?" This showed the extent to which the Turkish population in Germany is still bound by the conventions of agrarian Anatolia. Even in the case of a son, of legal age, 51 per cent said they would not respect his wish.

More younger Turks between 18 and 24 said they would abide by such a wish, reflecting bte degree to which the second generation is adopting German social valnes.

It is the second and especially the third generation (those born in Germany) of Turks who, the city says, must be integrated if severe social tensions are to be avoided. Integration will depend on three main factors all of which, Frau John notes, are inter related: improved education and housing and greater job opportunities.

The first pre-requisite is closely linke' with hte age at which young Turks arrive in Germany. The older they are the poorer their chances of learning to speak German adequately and completing their education in order to qualify for an apprenticeship. Without apprenticeships they are condemned to do the same unskilled labour as their parents, which will also make them prima candidates for unemployment.

As most Turks are crowded into three inner city horoughs the chances of Turkish pupils attending classes with German children are slim. The city recognises though that only by contact with young Germans can the languaga problem be solved and cultural "ghettoisation" prevented.

A growing number of West Berlin companies are providing special programmes for Turkish apprentices and the city's DM 165bn scheme to promote joh training also benefits Turkish children.

But the unemployment rate amoog young Turks remains the highest in the city.

Housing is the area where Frau John's report is the most pessimistic; 60 per cent of the Turks in West Berlin live in overcrowded flats, many with up to six persons in one or two roms. Two-thirds of the flats are without baths and central heating, and a large proportion have outside toilets. Improvements here are expected to he only very gradual.

Inspite of the growing number of anti-Turkish scrawlings on walls, the report says most Berliners show tolerance towards the Turks if only because they are needed if the economy is to function. It says, however, that anti-Turkish criticism grew during the recession since they "erroneously" believe that if the Turks were seot home the Germans would get jobs.

What do the Turks think? The survey showed that most have experienced anti-Turkish attitudes, but 52 per cent said they helieved that only a small percentage of Germans were hostile to foreigners.

Western European countries are seeking to avoid any posture or policy which might threaten Turkey's fragile internal stability

Relations remain resilient

TURKEY'S RELATIONS with Western Europe are proving remarkably resilient.

The military overthrow of democratic institutions in 1980 did cause a serious tremor—no group of liberal democracies can be expected to appland any repudiation of their values.

The subsequent imprisonment of leading politicians and the threat of death penalties to trade unionists attracted the predictable condemnations from across the political spectrum and a still-unresolved case against Ankara at the European Commission on Human Rights.

Yet these events took very little of substance out of most countries' relations with Turkey. A modest package of EEC aid—£350m—has been blocked for three years but this has been a minimum concession by governments to their galleries of liberal and left-wing opinions which had sought a mnch tougher response to the policies of the military regime.

Some governments, notably West Germany, have continued to supply funds to help the rehabilitation of tho Turkish economy. This has been of greater practical and political importance than the support being given by France, Denmark and the Netherlands to the anti-Turkey case at tho Commission on Human Rights.

Meanwhile, the Council of Europe and the European Parliament have maintained pressure for more political liberalisation within Turkey but without any serious threat of sanctions for a failure to deliver.

The view from Europe
JOHN WYLES in Brussels

Turkey's approach to the Cyprus problem has evoked similar finger-wagging but no response at all comparablo to the move earlier this year by the Senate Foreign Relations Committee to block part of an aid package to Turkey unless concessions were mado on Cyprus.

The unilateral declaration of independence by the Turkish community on the island last November won a unanimous refusal of recognition in Western Europe and mnch regret at Ankara's speedy recognition of Rauf Denktash's government.

Pressure on Turkey to bring about a reversal of the move and a rapprochement between the Greek and Turkish populations has not been more than quietly diplomatic.

European governments are not disposed to look for trouble in their relations with Turkey for several reasons. The most important remains Turkey's crucial strategic position on NATO's south-eastern flank. The Europeans have followed the American lead in seeking to avoid any posture or policy which might threaten Turkey's fragile internal stability and its commitment to the Alliance.

The military takeover in 1980 —while formally to be regretted —did end a long period of internal bloodletting that was threatening domestic upheaval and economic ruin.

Tho subsequent stability and progress towards economic recovery has been an immense relief to NATO capitals and, in the view of some politicians, a sufficient vindications of tho coup led by General Evren.

Another important factor influencing attitudes to Turkey is that President Evren's gradual and firmly controlled restoration of democratic institutions has been just enough to counterbalance liberal and left-wing complaints in Western Europe. Although the recent municipal elections. While progress has not been fast enough to satisfy all governments, particularly those in Scandinavia, it has held out sufficient promise of more to come. The recent municipal elections—described by one observer recently as a "model of democratic procedures"—have appeared to fulfill this promise.

Political reform has been accompanied by economic progress which has been greatly appreciated by Turkey's trading partners. The EEC's exports to Turkey have risen by 35 per cent since 1980 to around £1.5bn a year. The prospect of further growth has been enhanced by Mr Ozal's experiment in relaxing import restrictions and cutting subsidies to exporters.

For years the EEC has been looking for such trading liberalisation under the terms of its Association Agreement with Turkey. It is both ironic and politically significant that Ankara should have taken such steps when the Agreement is in the political deep freeze.

The new economic policy looks likely to speed up the pace of Turkey's political rehabilitation. The election of Mr Ozal's Government last November was an essential precondition for this rehabilitation which began to be marked at the beginning of the year hy a visit to the Europe Commission by Mr Vahit Halefoglu.

Respectability

The spring meeting of Defence Ministers in NATO's nuclear planning group at Cesme in Turkey at the beginning of April was further confirmation of Turkey's growing political respectability. This will almost certainly be sealed by the seating of a delegation of Turkish Parliamentarians in the Council of Europe's Assembly. This would have happened in February, but for the fact that an interpreters' strike prevented debate and adoption of a resolution.

Release by the EEC of its financial aid to Ankara would be the final certificate of political good health from Western Europe. But Turkey looks likely to have to move further down the road of political liberalisation before this can be issued.

It looks likely to he withheld for at least as long as the Disk trade unionists remain in prison facing death sentences. Their plight remains a serious blemish on the democratisation process—at least as far as France, Denmark and the Netherlands are concerned and their release appears to be the key to a full normalisation of relations between Turkey and Westero Europe.

Turkey is now embarked on a bold experiment to change the pattern of its economic development. The long years of closed economy, hiding behind tariff barriers and living with low local interest rates and an over-valued lira are now well behind.

A call for more sacrifices

Economic development

DAVID TONGE

FOUR YEARS ago, Mr Turgut Ozal launched his attempts to turn round the Turkish economy with the warning that they would entail four years of sacrifice. Now these four years are past and Mr Ozal is again asking for sacrifices from the Turkish people.

For his opponents on the Left and Centre, the continuing problems of the Turkish economy are proof of the bankruptcy of the IMF-backed austerity programme which he has applied.

In their book, Mr Ozal offers little more than the stop-go policies discredited in Britain.

Further, even such results as have been achieved have required the suppression of democratic and trades union freedoms. But for Mr Ozal and his followers the only problem is that matters were allowed to slip in the 18 months after he resigned as the Generals' Deputy Prime Minister in June 1982.

As he told an economic graduates' conference in Istanbul last month, the lesson is clear. Some TL 200bn was pumped into the money supply to rescue failing companies, and ease the credit crisis. Much of this was done secretly, with IMF monetary targets being "met" by the expediency of wheeling barrow loads of notes from the Agricultural Bank in Ankara up the hill to the Central Bank and back again.

But the results are public enough. The annual rate of increase of wholesale prices rose from around 25 per cent to over 40 per cent. Export growth abruptly tapered off.

This experience has served to strengthen Mr Ozal's belief that the policies he had been following had been correct. His first five months in office have thus inevitably seen him preach and practice the virtues of a tight monetary policy, of hiking interest rates to encourage savings, and of seeking further to cut back the public sector deficit.

Figures on this are published by the Under-secretariat of Treasury and Foreign Trade and presented in a somewhat abstruse form, but a recalculation of their statistics indicates that the overall public sector borrowing requirement was around 4.5 per cent of GNP in 1983 compared with 12.1 per cent in 1980.

Tackling public sector finances has solved a series of price increases by the 40-odd state economic enterprises (done in a way which belies claims that they are now free to set their own prices).

The aim is to keep the budget deficit down while tackling unemployment—now 18.5 per cent of the labour force—by using non-budgetary revenues to finance a mass housing programme.

Many of his measures may sound the dry fare of the textbook technocrat, but their success is crucial to his Government's credibility: Mr Ozal is relying on progress in the economy to maintain his current popularity as well as to build up his bargaining power with the armed forces.

But perhaps more important still is the programme of structural change introduced hand in hand with the austerity measures. Innovations include:

- A dramatic simplification of the country's notorious foreign exchange regime. Turks can now open bank accounts with foreign exchange. There has been progress towards increasing the convertibility of the Turkish lira.
- The ending of the bans on Turks travelling abroad. The only remaining hurdle is that any Turk who wishes to travel must have $1,000 of foreign exchange with them.
- The significant steps to ending quantitative controls on imports. Now tariffs and the price mechanism are the main restriction, with the government promising its intention is to reduce tariffs.
- Ending the over-valuing of the Turkish lira. Henceforth, a realistic exchange rate is to be the main motor for export encouragement.

A part of the red tape hindering exports has been removed. Only large trading houses may now buy and sell to Comecon countries.

- Guarantees that foreigners will be able to remit the proceeds of sale of any land or shares they buy in Turkey.
- Further encouragements are being prepared for foreign investors. The Government plans to ensure all such investors are able to benefit from the privileges now only available to companies investing under Law 6224.
- The opening of the country to Islamic funding operations and to Western financial services such as stockbrokers.

The larger businessmen basically divide into two camps in their reaction to these policies. The old-fashioned holding groups such as Koc and Sabanci oppose too great an opening of the economy to foreign competition—though so far have little to fear.

Other companies hit by specific measures, such as the limitations on which companies may trade with Comecon, are also deeply critical.

Last month Mr Ozal entertained 50 captains of industry to dinner in Istanbul, but all swallowed their criticisms and instead joined the chorus of those who praised him for his moves to get the bureaucracy off the Turks' backs.

However, Mr Murtaza Celikel, who had the support of numerous small businesses during his recent attempt to win the presidency of the Istanbul Chamber of Industry, is an unrepentant critic of the Ozal Programme.

"He has stopped inflation by stopping life. Industrial investment has virtually dried up. Turkish industry is collapsing on its feet as if it had diabetes.

Mr Celikel has long been close to attempts to build a party supporting the principles of former Prime Minister Bulent Ecevit, but is less critical of attempts to bring foreign investment into Turkey.

The Government projects that its programme will lead to a 5 per cent increase in GNP this year with the rate then creeping back towards the 7 per cent recorder in the boom years of the 1960s and early 1970s.

Its forecasts for the future envisage the trade deficit being kept at a steady annual $3bn as exports grow by around 17 per cent this year and then settle down to an annual 10 per cent increase.

Steady levels of worker's remittances and gradually growing net earnings from tourism should cause the current account deficit to decline to under $1bn.

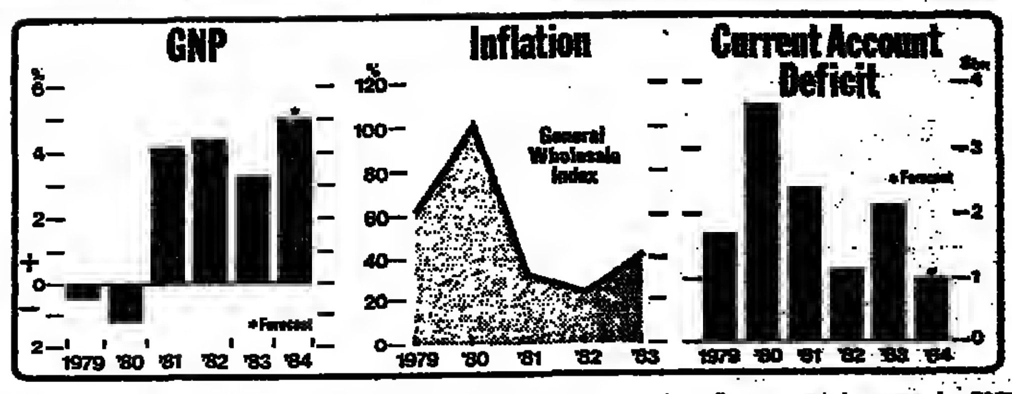
On the capital account, credits to finance the massive projects now being planned are expected to provide the main source of the funds necessary to balance Turkey's books.

Yet difficulties remain:

- The financial sector is under strain with some banks admitting that around 25 per cent of their loans are non-performing. Real interest rates to borrowers are now around 20-25 per cent, putting an almost impossible burden on many firms.
- Many firms are working well below capacity—for the motor industry average capacity use is around 47 per cent—yet if firms were in fuller production they know they could be plagued by energy shortages.
- Investment has been slack, meaning that Turkey's manufacturing technology is becoming increasingly uncompetitive.
- The Ozal programme has partially depended on holding real wages at around half their 1979 levels.

All this means that the battle is far from over. Mr Ozal has a number of further tricks up his sleeve. He would like to see a value added tax introduced at the beginning of next year. His officials favour the introduction of what would be Turkey's first proper export credit agency. He is prepared to see significant land purchases to the Arabs.

Indeed, for now the ball is in his court and for a year or so is likely to remain there. His victories in the general and municipal elections give him a freer hand in this field than many previous Prime Ministers.



$1bn raised on international markets this year

MR ZEKERIYA YILDIRIM, Deputy Governor of Turkey's Central Bank, is in fine fettle. One current issue he has to deal with is how large credit lines Turkey should be opening to its neighbours.

His problem is no longer that of staving off irate creditors, rolling over debts and seizing whatever crumbs of comfort the banks would give his country.

On the contrary, already this year the Turkish Government and state sector have been able to raise almost $1bn from the international markets—over twice what they could raise in either 1982 or 1983.

Terms are still hard. The Central Bank's recent $300m six-year loan led by Manufacturers Hanover Trust was at 1½ per cent over Libor, 1½ per cent over prime for the dollar option and 1½ per cent over AKA for the Deutschemark option. But the loan was both larger and for a year longer than the Central Bank's previous such foray into the markets.

It has been a long road for the country which was the first of the Third World's major recent debt casualties. Turkey had to reschedule around one-half of the $14bn debt it had outstading at the end of 1979.

Bankers' memories are long and their traumas in Turkey coupled with the recent crises elsewhere in the Third World mean that many banks are still reluctant to increase their exposure to Turkey.

The Japanese Ministry of Finance, for example, has long applied a circular obliging banks extending credit to countries which have recently re-scheduled to make counter-provisions.

But the U.S. banks have been building up their lines and to a lesser extent the European banks have been following suit. Mr Yildirim predicts that Turkey will not be requiring more than an annual $0.5bn of programme-type borrowing for balance of payments purposes in coming years.

However, the Government is attaching considerable importance to project finance. Last year it borrowed C$110.5m from a syndicate of banks to finance investment in its telecommunication sector.

This March it raised 19-year loans from a syndicate of banks, the West German KFW and supplier to finance the supply of SFr 963m worth of electro-mechanical equipment for the Ataturk hydroelectrical power station. Hermes, the West German export credit agency, and U.S. Eximbank have become increasingly active, but Britain's ECGD has been reluctant to risk fresh losses in Turkey. However, as one British bank puts it: "The fan is opening. As time passes an increasingly wide range of projects will begin to look attractive."

At the same time the Turkish private sector is being increasingly encouraged to raise funds abroad. One group alone, Enka, has arranged over $0.5bn of facilities.

Turkey has been relatively prompt in making foreign exchange transfers, but one reason for continuing caution by some banks is that the country is about to face the burden of having to repay the principal on the loans rescheduled in 1979.

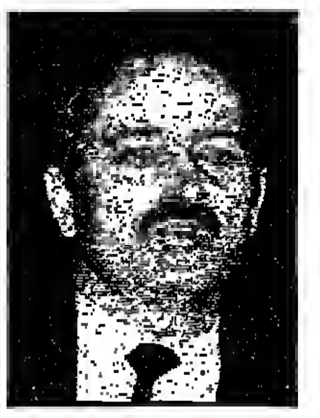
This will lead to a debt bump in 1985 when total debt service on existing medium and long-term debt will reach around $2.7bn. The overall ratio of debt service to net earnings from exports and services is forecast to be around 29 per cent that year. But from this peak the Turks' forecast is that the figure will slip smoothly over the next five years to under 20 per cent. These figures are not far from recent forecasts made by the IMF.

Central Bank officials are confident the worst is far behind. Only the pessimist can disagree.

D. T.

PROFILE: EKREM PAKDEMIRLI

Man at the economic helm



Professor Pakdemirli: candid and direct

"VISITORS ARE requested to keep their visits short and not to smoke," say two notices on either side of the imposing Ankara offices of the Under Secretary for the Treasury and Foreign Trade, Prof Ekrem Pakdemirli.

Though not a member of the cabinet, and indeed still a civil servant, Prof Pakdemirli is one of the most powerful and pivotal men in Turkey today. His influence on economic policy is dominant.

Unlike many of Mr Ozal's key lieutenants who tend to come from the Istanbul business world, Prof Pakdemirli taught in the University of the Aegean at Izmir before joining the Government. He was one of the leading figures in the State Planning Organisation (SPO) before last year.

An engineer by background who did his doctorate at Imperial College in London, Prof Pakdemirli is still only 45 years old. His curriculum vitae records a stream of successfully met targets since his days as a student at Ankara's Middle East Technical University, each achieved with the minimum fuss and usually in the shortest time possible, doctorate, books, articles, official positions.

While at the SPO Prof Pakdemirli was overshadowed by its then chief, Mr Yildirim Akturk—a man to whom in many ways he bears a striking resemblance, both being workaholic technocrats committed to restructuring Turkey's economy along free market lines. There were no reports of friction between them.

Akturk's decision not to go into politics after the election cleared the way for Prof Pakdemirli's selection as "Under Secretary with Superministerial Powers." There was some speculation that this unprecedented appointment might be a second-best arrangement and that Prof Pakdemirli had been vetoed by President Evren for cabinet office, as several others among Mr Ozal's associates are known to have been.

However, those in the know in Ankara dispute this, pointing out that it would have been easier to block Prof Pakdemirli's controversial civil service appointment than a place in the cabinet. The trappings of power are undoubtedly there, however. Prof Pakdemirli receives visitors in a room which was once occupied and befits a minister. In conversation he throws away lines like: "When I decide about that . . ." which suggest the policy overlord more than the civil servant.

Despite the aura of non-stop activity (which appears to suit Prof Pakdemirli who, if anything, seems more energetic and less tired these days than he did in the early Ozal years), he is courteous and alert in conversation, with a quiet sense of humour often breaking through.

"An ideal man to do business with" was how one foreign businessman once described him.

Turkish journalists seem similarly impressed. Even Left-wing reporters who might be expected to be temperamentally critical of his policies confess to having been impressed by him on a recent visit to Moscow at the head of a large trade delegation in January. There has been none of the potential baiting from the Press which his extraordinary and powerful situation might been expected to provoke.

One reason may be the combination of simplicity and candour which marks Prof Pakdemirli's conversation. Unlike earlier Turkish policymakers, he usually makes it quietly but abundantly clear which of the constraints imposed upon the administration he considers unwelcome.

Asked about the decision to build F.16 fighter jets, for instance (a decision taken during the last months of the life of the previous government and signed after the elections without the prior knowledge of Mr Ozal and his team), Prof Pakdemirli simply comments "very expensive" and changes the subject.

A similar directness was displayed in January when without fuss he acknowledged some minor faults in the import regime he had announced a few weeks earlier. Changes were made without any ado. Prof Pakdemirli is the sort of man who does not shrink from making adjustments to a policy when he feels they are needed.

DAVID BARCHARD

its

Banks feeling the strain

IN THE past year five Turkish banks have had to close their doors.

"This year, two or three more are likely to follow them," one of the country's top bankers predicts. Certainly the scare stories abound.

"Around 25 per cent of the loans in my bank are non-performing," one owner blandly admits. Foreign bankers who have investigated the scene fear the industry-wide average could be considerably higher than this.

Banking
DAVID TONGE

Yet they also point out that the Turks have become remarkably adept at living with loan portfolios which could cause some countries to call in the receivers.

Two months ago a man reportedly unable to service TL 8bn worth of loans to one of the larger banks was to be seen knocking on doors in Ankara in search of relief. The Government reportedly turned a deaf ear, and today other clients of that bank complain the steep price they now pay for credit is because they are helping the bank keep that customer afloat.

Now several of the banks have to make major increases in their capital by the end of next year and questions are beginning to be asked whether all will succeed.

With Turkey five years into an IMF-backed austerity programme it is hardly surprising that the banking sector reflects the strains of the economy as a whole.

Many firms have seen their domestic markets collapse. Others have found themselves squeezed as the present government holds the lid on credit expansion. All still seem to be having problems in adapting to what is a new era in Turkish finance.

After decades of cheap money, in 1980 interest rates were hiked up and firms have since had to pay up to 25 per cent real interest rates for funds. Few firms have found it possible to readjust their capital structure and reduce their ratio of borrowed to own resources in the way this new situation requires. As their finances have come under strain, so have those of the banks themselves.

The much-publicised collapse of the money broking houses in 1982 and of five banks last year has led to some shift in deposits from private banks to state banks and from the small banks to the larger ones. However, the present government makes it clear that it has little intention of encouraging the Central Bank to rescue any bank which runs into problems. The restrictions on the domestic assets of the Central Bank imposed by the current stand-by agreement with the IMF would in any case make this hard.

Policy

Nor is the government prepared to allow the level of real interest rates to fall markedly. In December it took a few measures designed to narrow the spreads which banks had to make. But Mr Ozal's men believe that high deposit rates are essential and savings must be encouraged if the country is to finance the investment needed for its future.

Mr Kaya Erdem, the Deputy Prime Minister, has just said that interest rates on deposits will be maintained at their present levels through the autumn. At present six-month deposits earn 45 per cent gross.

An equally important step forward was that decreed on December 29 last year. This gave the Turkish banks more freedom in dealing with foreign exchange than ever before. They can now maintain their own cash flow of foreign currencies and are no longer obliged to deposit part of these with the Central Bank.

They can trade in foreign exchange around the rate set by the Central Bank. And Turks are now allowed to open foreign exchange accounts with Turkish banks. One bank owner estimates that this move alone has caused Turkish bank holdings of foreign exchange to rise by $250m.

All this is beginning slowly to break the general attitude that anyone requiring or offering foreign exchange must be involved in the black market and therefore should be watched like a lynx. Some Turkish banks like Uluslararasi have drawn their lesson from the way that, say, the U.S. banks make their main profits in foreign business.

Others tend to hedge any foreign deal with such restrictions that their client prefers to deal with the 13 foreign banks now authorised to operate in Turkey. "We charge the same fees for a letter of credit as a Turkish bank. It is a healthy fee, twice what we can earn elsewhere," one U.S. banker says, explaining the high profits earned by well-established operations such as American Express and Citibank.

Here the foreign banks have an expertise on country risk and credit lines for, say, Algeria which cannot be matched by their Turkish counterparts.

However, trading companies say that while U.S. banks require no counterdeposit for the letter of credit, Turkish banks may demand a 50 per cent downpayment. Why?

"You have to remember that we are offering a full-range of services while the foreign banks are only eating the cream," one local banker says, attempting to justify this position.

Long cocooned from the outside world Turkish banks have tended to be characterised by excessive operating costs, an exaggerated branch network and agonising bureaucracy.

In granting loans they have also tended to rely on market reputation and the availability of mortgagable assets as loan guarantees rother than any ability to analyse a company's operations to see whether it is viable. "They have to move from name lending to good lending," one foreign banker saye in summary.

The Government's strategy to tackle this seems to be twofold. One element is encouraging more foreign banks because it believes that these will eventually—and it is a distant hope—oblige the local banks to pull up their socks.

Deputy Prime Minister Kaya Erdem: interest rates on deposits will be maintained, he says.

Overseas

The corollary of this is its encouragement for the better established Turkish banks to extend their operations abroad. Turkiye Is Bankasi operates branches in Frankfurt, Berlin and London. The Agricultural Bank, T. C. Ziraat Bankasi, operates a branch in New York.

Akbank has a subsidiary, AK International, in London which has built up an active trade finance role in the year it has been licenced as a deposit taker by the Bank of England. It has just doubled its paid-in capital to £10m. Turkiye Garanti Bankasi has also just opened an operation in London.

The second element in the authorities' plans is increasing the reliability of the banks' reporting system and of auditing in general. The Central Bank has commissioned a study on the first of these which should be completed in September, with the changes to be introduced at the beginning of next year. The aim is to improve the authorities' ability to monitor monetary developments and, in particular, to make sure that non-performing loans are treated in a more satisfactory way.

The proposals have their critics. Some bankers argue that Ankara already has all the powers it needs to regulate the banks properly. Others say that it does not matter what auditors you bring in if they are not able to work out the true status of each loan.

But the step is in the right direction for it is belatedly being recognised that the dearth of properly audited accounts is beginning to cost some firms more than they gain by hiding their true positions. A number of Turkish contractors, for instance, have found the Algerian authorities reluctant to give them contracts unless they obtained a government guarantee: "We could not make head or tail of their true financial situation," one Arab diplomat in Ankara says on this.

This move to better accountancy practices is a tendency encouraged by the foreign banks.

TURKEY'S MAIN BANKS—END 1983
(TL bn)

	Total deposits	Savings deposits	Borrowings from central bank	Government bonds	Loans (A)	Letters of guarantee (B)	(A)+(B)	Capital & reserves (C)	Ratio of (A+B) to (C)	Pretax profits
TURKIYE IS	743	484	120	89	555	480	1,035	74	13.9	10*
AKBANK	369	209	2	24	194	123	316	41	7.6	8*
YAPI ve KREDI	317	174	33	9	139	159	298	15	20.1	0.1
VAKIFLAR	142	65	3	5	87	50	137	4	32.5	1.3
PAMUKBANK	127	60	29	0.5	72	83	156	7	21.3	0.3
T. TICARET	104	67	4	5	66	30	96	9	11.0	3
GARANTI	82	49	6	1.5	34	51	85	4.5	19.0	—0.2
ULUSLARARASI (INTNL.)	34	8	10	—	36	89	125	7	18.5	3

* Post tax figures.

Note: Akbank has recently paid in a further TL 5bn of capital and Garanti a further TL 3.5bn. T. C. Ziraat Bankasi The Agricultural Bank, Turkey's largest bank, which has recently taken over various industrial groups, was not available for interview.

Moving closer to reality

Free trade zones
FRANCIS GHILES

NOT FOR the first time since 1926 when the idea was first mooted in Turkey, free trade zones are back in fashion.

It does look, however, as if, unlike in 1926 and again in 1953, the idea may well become a reality.

During the past 12 months, two major achievements have been made. A central authority called the "Organisation of Free Zones" headed by a very urbane Turkish diplomat, Mr Temel Iskit, has been set up in Ankara.

Like a growing number of offices, it is directly responsible to the Prime Minister and benefits from a certain degree of priority.

Although the law setting this office up was only passed last November, the decision on where the first two free trade zones will be sited has already been taken. Mr Iskit hopes the zones will be operational by early 1985.

Mersin, the booming port on Turkey's southern coast and the port of Antalya just to its west, where only 10 per cent of capacity is used at present, have been chosen. There is the possibility of a much bigger zone at Yumurtalik, near Iskenderum, at a later stage if the initial sites prove their worth and of one on the Black Sea.

Privately, however, many companies believe Izmir, with its thriving port and history of active internationally-minded Christian and Jewish minorities stands a much better chance.

Big change

The recent developments represent a notable break in Turkey's policy which for half a century after the Ataturk revolution argued that economic growth, sovereignty and high tariff barriers were all part of the same equation.

Many are, however, voicing caution: the military is still worried at the scope a free trade zone may provide for arms smuggling—a major preoccupation throughout the late 1970s. Civil servants who for years were weened on Ataturk's diet of high trade barriers are often paying no more than lip service to the new policies. They may not do all in their power to get the project off the ground.

In Mersin at least they will have to contend with a new may, M Okam Merzeci, who is determined to see the zone open next year.

The arguments in favour of free trade zones in Turkey is that they will offer depot-warehousing and transit facilities for goods to be re-exported to the Middle East.

Mersin is already a very active road-transit centre, with many company headquarters lining the road out of the city to Adana. No manufacturing activities will be allowed in these zones, only packaging or assembly. Ancillary services such as container and ship repairs will be offered but that aspect of the business will only develop if and when a third zone is chosen: the present sites do not offer enough space.

Antalya is also meant to offer Turkish contractors working abroad the possibility of bringing their machines back to Turkey and storing them for the next job they win overseas without paying taxes: why a free zone is necessary for a job which could be taken care of by a bonded warehouse is, however, not entirely clear. It is, however, fair to say that the policing and protection needed for the smooth functioning of a bonded warehouse may not be easy to achieve.

Argument

Those in favour of free zones also argue that the transfer of technology from free zones will benefit domestic industries, whose development it will speed up.

Turkish officials also hope they will bring in foreign investment: as for smuggling risks, people in the south point out that it will be less than what presently goes on on the Turkish-Syrian border. The Mayor of Mersin insists that the zone will be well protected.

The private sector will hold the majority of shares in the organisations which are being set up to run the free trade zones and the state will retain a minority stake. Labour laws will be the same as in Turkey, but the exact structure of taxation has not yet been agreed. However, an as yet undefined "central organisation" is expected to control and oversee the activities of these zones in the early stages of their development.

Foreign companies will also be allowed to lease land for long periods—a major break in a country which has not, at least since 1923, welcomed foreigners buying land.

The setting up of free zones represents a major break with recent Turkish history. They do make sense to the extent that Turkey is seeking to develop what is already its major role as a transit area at the crossroads of three continents. Its growing volume of exports and re-exports, notably to the Middle East, suggest such zones could be useful: however, there is a danger that people will come to expect too much from them.

Only time will tell whether the free zone turns out to be little more than a fashionable idea in Turkey.

Reforms fail to solve problems

WHEN Mr Ozal's Motherland Party swept to victory in Turkey's local elections on March 25, it was a striking endorsement of the prime minister's controversial privatisation programme.

Mr Ozal came to power in December after a general election campaign in which he had successfully advocated the idea of revenue sharing for such public sector projects as the Bosphorus Bridge and the Ataturk High Dam on the Euphrates and a retrenchment of the public sector's general involvement in industry.

The State Enterprises

DAVID BARCHARD

The State Economic Enterprises remain one of the major unsolved policy areas for any Turkish administration. For Mr Ozal, they will be a major test of his government's success in restructuring the economy along market lines.

A decree reforming the State Economic Enterprises went into effect in October 1983. The more outspoken among Mr Ozal's lieutenants described it at the time as "inadequate," since the main change introduced was simply e reshuffling of overall responsibility for different groups of SEE's and the distinction between "service" enterprises and "productive ones."

The root problems which Mr Ozal bad tried to tackle in his original reforms of January 1980 were—and so far remain—largely unsolved. The operating losses of the major SEE's have been pruned. Last year 34 SEEs are believed to have made profits and nine losses.

But the underlying situation has not changed greatly. For a start, prices are in practice largely fixed by the government. Mr Ozal's administration itself demonstrated this strikingly after the March 25 *elections when almost all SEE* products received sharp bikes.

Coming four years after the abolition of subsidies and the freeing of pricing decizions, this conflicted with official claims that SEE prices were no longer cabinet decicions.

Why, one might wonder, can railway ticket prices in Turkey not be adjusted gradually, rather than hiked suddenly at annual intervals by up to 100 per cent?

Pricing policy highlights a deeper managerial and administrative malaise. Public sector agencies continue to be overmanned and badly managed. Caution and the avoidance of mistakes is the surest recipe for approval.

Innovation is discouraged. Top posts are, in effect, political appointments and those with aspirations for e life-long career tend to avoid them. There is no sensitivity to consumer needs. The radio stations may announce details of power or water cuts sometimes, but services and supplies can also be suddenly cut off without explanation or apology.

Turkey's telecommunications services may be improving slowly, but in this sector, as in others, the general attitude of officialdom has usually been that the customer should be thankful for anything be gets.

Long-term changes of personnel and working habits are not quickly achieved. Some *state sector enterprises, according* to Western diplomats, play a major part in discrediting the country's reviving economic image by interminable payments delays which can sometimes bring a Western supplier into severe difficulties.

Since Mr Ozal's return to office, the Foreign Investment Department of the State Planning Organisation has been taking a hard look at soma of tbe manufacturing SEEs to see if the formula worked out in 1982 to deal with diesel engine investments planned by the state motor corporation, Tumosan, would help elsewhere.

Thus, MAN and Tumosan are building beavy engines while Tumosan and Daimler Benz are making medium diesel engines at e plant at Aksaray in Nigde province. A possible deal between Tumosan, a private sector group Turk Traktor, and Fiat is being considered.

Similarly, the FID has encouraged a joint venture for locomotive production and the State Supply Office DMO is looking for two or more joint ventures to supply Turkey's need for cash registers.

The planner would like to go further but tbey face both practical and political problems. It is recognised that some "strategic" areas (including much mining) cannot be privatised because of powerful objections from the bureaucracy and elsewbere.

The privatisation of Tekel, the cigarettes and alcobolic beverages monopoly, would be popnlar.

"The problem is bow to do it," an official says.

Tekel is one of the most deeply entrenched state sector bodies and has already put up a tough—though ultimately unsuccessful—struggle against foreign cigarette imports and joint ventures to make them in Turkey.

However, soma parts of the private sector lost to it are being restored. The Ziraat (Agricultural) Bank which had acquired eeveral profitable industrial companies belonging to the bankrupt Kozanoglu Cavusoglu Group bas now been forced to reverse an earlier decision to hang on to them.

For some strategic industries, s structure designed to force them to conform to private sector practices as mucb as possible bas been epplied for some years. The thriving military electronics concern Aselsan functions like a private company, *although its ownership is* largely public. Critics point out that Aselsan has enjoyed high capitalisation, but the formula does seem to have worked.

It remains to be seen how it will succeed with Havelsan, the aeronautics electronics concern, another pet project of the Turkish military.

Meanwhile, General Dynamics and Tusas (the state aircraft corporation) have set up a joint *venture to build F-16 jets*, a significant revision of Tusas's intended—though possibly unattainable—original role.

Key areas of public sector economic activity, the "problem children of the State sector" bave been divided between various of the six ministers of State. This should lead to greater flexibility and more attention and funds wben needed. But the prospects for quick improvements look slender.

PROFILE: Dr. NAMIK KEMAL KILIC

Central role in the Government

DR NAMIK KEMAL KILIC has no time now for the fishing and shooting of birds be used to indulge in as a university teacber. The flow of would-be foreign investors through his office is such that be bas no spare time to do anything else but sleep.

This brisk 41-year-old has been acting director of Turkey's Foreign Investment Department since May last year. It is not only this position which gives him a central role in the Ozal Government's attempt to open up the traditionally closed Turkish economy. He has long been an advocate of the free market ideas which are now embraced.

"We must privatise the economy as mnch as we can. That is a medium rather than a short-term policy. It is the first time in the history of the republic that anyone has redefined the role of the Government," he says.

Whether his 10-member department can cut through Turkey's slow and deep-rooted bureaucracy, even with the Government's backing, remains to be seen.

His promise to make decisions within two weeks on investment projects presented to his office is genuine enough. It stems from his belief that it is better to take decisions which will achieve 80 per cent of your target in the minimum time and risk the 20 per cent margin of error, than miss the boat altogether because of perfectionism. The Government's critics say sound planning is being abandoned because of the mercurial behaviour of individuals.

Mr Kilic's belief is in a practical, quantified economics of the sort he found in the U.S. He believes he avoided the treatment of economics as an abstract science which dominates Turkish universities because be was educated in a technical discipline, engineering.

Born in Cankiri and raised in Ankara, be graduated in agricultural engineering from the University of Ankara in 1964 and worked for two years at the Ministry of Agriculture. He went to Michigan State University in 1967 and took s master's degree in systems science (engineering).

In 1972 he received a doctorate from the university's industrial engineering department. For the next four years he taught there, and worked as consultant to the State of Michigan and the U.S. federal government. He gained experience in economic modelling and worked on the Agency for International Development's programme for South Korea, Mexico and Nigeria.

Returning to Turkey to teach at Cukurova University's engineering and economics department in 1977 be began to press his ideas for eliminating subsidies on the government. He was unsuccessful at first but caugbt the eye of the team which was just *beginning to gather around* Mr Turgut Ozal. When this team came to office in 1980 the call went out to Mr Kilic. He bas been a civil servant ever since but remains a brusque no-nonsense man who, like a hunter, wants results.

Dr Namik Kemal Kilic of the Foreign Investment Department. Determined not to let the best be enemy of the good

Commitments expected to increase gradually

PROSPECTS for foreign investment in Turkey are looking up. The new Government is trying to show the world that the country has overcome its traditional xenophobia, and that businessmen are eager to find foreign partners.

"In the past 60 years Turkey has not issued such an invitation to foreign capital as now," says Mr Vahit Halefoglu, the Foreign Minister.

Foreign investment

BRIAN GROOM

Officials of the Turkish Government's Foreign Investment Department this year expect at leest to double or treble the $103m worth of new ventures or expansion of existing ones which they approved in 1983. Dr Namik Kemal Kilic, the department's acting bead, talks enthusiastically about $1bn of potential new investments being in the pipeline.

Interest among multinational companies has increased since the euthority of Mr Turgut *Ozal's Motherland* Party Government, elected last November, was underlined by his success in local elections in March.

Three things must be sbown to turn that interest into firm commitments, according to Western observers: that the return to limited democracy will bring lasting political stability; that Turkey's restrictive bureaucracy will be eased; and that confidence in Mr Ozal's economic policy is maintained with no reversion to the zigzags of the past.

A gradual speeding-up of investment is expected, rather than e sudden boom.

"The flow will increase when people see that Turkey has really overcome the crisis of the late 1970s. That will bappen when it succeeds in paying back some of the capital of old debts without being forced to reschedule once again. This date could be 1985-86," said Mr Rolf Geberth, president of the OECD's Aid to Turkey Consortium.

Many of the investment opportunities are linked with the Government's privatisation plans and the pnblic purchasing programme. Turkey wants two or three foreign companies to set up joint ventures with the Government supply office, DMO, to make 3m-5m cash registers needed when the country switches to value added tax. TCDD (state railways) has asked General Electric and General Motors of the U.S. to submit proposals for building 100 locomotives a year.

ITT has been given a letter of intent worth $300m by the Post, Telegraph and Telephone Administration to make digital tetephone exchanges in conjunction with the largely state-owned Teletas. The circumstances surrounding this deal show that the Ozal Government, far from being purely technocratic, is not afraid to seek political trade-offs.

Behind-the-scenes it bss tried to twist ITT'a arm to exert whatever influence the company may bave with the U.S. Congress to drop its insistence on making military aid to Turkey dependent on concessions over Cyprus. The ITT deal is subject to final Government approval in further negotiations, with, at least, the Government been to see if ITT, L. M. Ericssou, Siemens or Fujitsu will improve thair offers.

Other foreign link-nps with the state sector include four proposed ventures with the mining authority Etibank bringing in $220m of foreign capital—a copper venture agreed with Phelps Dodge of the U.S., and outline plans for another copper venture with Preussag, a zinc-lead one with Metallgesellschaft, and a marble one with Pellegrini of Italy.

The Government wsnts to break the mooopoly of Tekel, the ststa tobecco company, bnt has yet to choose between joint ventures for cigarette production proposed by Philip Morris (with the local group Sabanci), Rothmans (with Koc), or Reynolds.

In the private sector, companies which have expressed an interest in coming to Turkey since Mr Ozal announced his economic liberalisstion measures include Volkswagen of West Germany, Samsung of South Korea, and Mitsui of Japan.

This is not the first time Turkey has tried to interest foreign investors. But mindful of the way outside businessmen had exploited the Ottomans, it did oot begin to welcome foreign capital until the 1950s.

Even then, middle-ranking state officials were obstructive end permission to expand or modernise plants was sometimes withbeld. The country attracted only $200m of foreign capital between 1951 and 1980.

Tbe letest attempt to entice outsiders began wben the "open door" Law 6224 of 1954, stifled in practice by the bureaucracy, was liberated by decree in January 1980. Joint ventures grew from 100 in 1980 to 170 in 1982 and authorised foreign investment rose from (cumulative) $325m to $830m.

However, 80 per cent of this increase was ettributable to "involuntary investment" financed by non-guaranteed trade arrears—debts which Turkey could not settle. Foreign creditors were allowed to be paid only if they took the mooey in liras and invested it in Turkey.

That pot has since emptied, and in 1983 foreign investments under Law 6224 rose only to 185 totalling a cumulative $933m. Companies were awaiting new political developments, keeping a wary eye on inflation as it rose again to 40 per cent, end concerned about the high interest rates wbich were causing problems for their prospective Turkish partners.

The new government has taken further steps to rationalise and liberalise the investment rules. About 200 joint ventures, many of them small ones, were still operating under the older decree 17 which limited their right to transfer earnings and increase capital.

Thet bas been put on a similar footing to law 6224 by the new decree 28 of December 1983. The main outstanding difference is that these companies do not yet qualify for all the incentives evailable to lew 6224 companies, bnt the whole system will be unified in a new law which the government hopes to have in place shortly.

Dr Kilic says that all sectors open to Turkish private enterprise are open to foreigners also, except coastal shipping covered by the cabotage lsw.

TURKEY 12

The economy

Necessity breaks down old barriers

WHEN TURKEY was elected to chair the economic committee of the Islamic Conference in Casablanca last January, some Arab commentators could not suppress a wry smile: more than half a century after the final break up of the Ottoman Empire, it seemed as if relations between Turkey and its numerous Arab neighbours had come full circle.

Middle East links

FRANCIS GHILES

General Kenan Evren's presence in Morocco, the first time a Turkish Head of State had attended such a meeting, underlined, as did his recent visit to Saudi Arabia, the growing links between the heirs to the sultanate in Istanbul and their, today, mucb ricber former subjects.

As is so often the case with traditional enemies, economic necessity has imposed a new logic. Every private sector company, every senior government official whom a visitor meets in Istanbul, Ankara or in the economically booming province of Adana, which lies close to the Syrian border, speaks of his Muslim "brothers" in glowing terms, spelling out the natural advantages Turkey bolds in seeking to do more business with the Arab world.

- Its geographical position which makes for easy access by sea, road and air, transit traffic from Europe to the Middle East is estimated to bring in at least $500m a year.
- Turkey has a wealth of contractors and engineers not to mention a workforce whose demands wben working abroad are far less than their European counterparts.
- Turkey is one of the few countries in the world to boast an agricultural surplus—something which is no longer the case in any Arab country. The growing food deficit of the Middle East and the quality of Turkish agricultural produce, not to mention competitive prices, plead in favour of large Turkisb exports.
- Then there is Turkey's skill in avoiding taking sides in inter-Arab disputes or in the Iran/Iraq conflict. Turkey trades with both the last two countries, but its private sector and officials are at one in believing that an end to the now four-year-old conflict would earn even greater dividends for Turkisb companies.

Thus, as Turkey seeks to deregulate its economy and promote exports, closer and more fruitful relations with the Middle East make a lot of sense. Exports to Iran amounted to $1.1bn last year, those to Iraq $320m (the last some 50 per cent below 1982 figures), while Saudi Arabia took $360m-worth of Turkish goods and Libya $184m, a 20 per cent decline on 1982 figures.

Overall, the Middle East took 45 per cent of Turkey's exports last year.

Every major Turkish industrial and banking group is involved, some often active on a dozen building sites at any time. Meanwhile, loans from Arab countries, notably Saudi Arabia, which recently lent $250m to finance housing projects, are increasing. Equity investment from such sources is much talked about, but appears to be more in the nature of hope than reality for the moment.

Because of the strong pressures on its foreign income, Iraq recently persuaded the Turks to agree to a reduction of the amount of cash payment on receipt of Turkish goods to 25 per cent, the balance being paid over a period of 24 months.

The Turks were forced into this concession despite the fact that their exports to Iraq were slashed by 50 per cent last year. This year exports have recovered sharply and even last year's figure of $320m-worth of exports to Iraq fails to represent the total income Turkey derives from Iraq by about 50 per cent.

The balance is accounted for by workers' remittances and transit trade.

Turkish contractors, meanwhile, are increasingly resorting to barter deals on Iraqi contracts, with payments to be made in oil.

One ironical result of the growing volume of barter is that all oil and oil products storage tanks in the Adana region are full of Iranian and Iraqi oil.

Barter may also provide the major key to sorting out the arrears which have built up in Turkisb exports and contracting in Libya.

But the overall problem of Libyan arrears—$120m according to Tripoli, about $400m according to Ankara—will have to wait for M. Ozal's forthcoming visit to Tripoli to be sorted out provided political developments in Tripoli do not interfere.

In particular, it is suggested that Turkisb purchases of Libyan crude will be increased by one sixth to 3.5m tons a year in 1984.

It is unlikely that the setting up of Islamic banking practices in Turkey with the help of Libya—$500m worth of capital is being mentioned for the setting up of Islamic Holding—will help much, despite the claims of the general manager of the Arab-Turkisb Bank, M. Farag Shallouf.

The Libyans have two other cards. They did ship oil to Turkey when that country was facing severe power cuts in the late 1970s, the result of its shortage of foreign currency. And none of the contracts the Turks have won in Libya is of strategic importance, either in the economic field—even less wben related to military matters.

Privately, some of Turkey's leading contractors express fears that the Libyans hold, in their arrears to Turkish companies, an excellent means of pressure.

With Iran, meanwhile, trade flourishes: Turkish exports increased by about one quarter to $1.08bn, which is more or less entirely paid for by 5m tons plus of oil. The recent visit to Iran of Mr Turgut Ozal and 1,000 Turkish businessmen has led to Turkish claims of fresh export agreements worth $800m. The trade is handled through a clearing account administered by the central banks of the two countries with a generous *$300m credit limit of either side* before cash payments need to be made.

On top of this there is a further $500m in trade between Turkey's eastern provinces and the Iranian provinces of East and West Azerbaijan—food for oil from the Tabriz refinery.

Turkey is only just beginning to make headway with other North African countries. Trade with Egypt is picking up and 44 Turkish firms took part in the Cairo Fair late last winter. Otomarsan, meanwhile, has sold 750 buses to Egypt in the last three years.

In Tunisia, one contractor, FAST, has just won the first ever Turkish contract, to build a $15m port at Gabes. The Tunisians have just agreed to buy food and cotton. A few years ago the Groupe Chimique Tunisien allowed a new process it has developed with regard to phosphoric acid to be used in Turkey.

Algeria, remains the great absentee from Turkey's commercial relations with the Middle East. This is because Algeria insists usually on the Turkish Government providing some form of guarantee for Turkish companies wishing to do business in their country.

This the Government in Ankara is unwilling, or not in a position to do. The volume of trading is increasing, albeit slowly—last year the Koc group sold 100,000 kitchen units to Algeria and other contracts are expected to follow.

Meanwhile, Algeria sold oil to Turkey for the first time in 1983, worth $71.8m.

With Saudi Arabia it is business as usual, though the volume of orders has decreased since 1980. A joint $100 trading company is to be set up later this year.

Feasibility reports for a string of projects from poultry farming to mining packaging in Saudi Arabia was handed to the president of the Saudi Union Chamber of Commerce, Ismail Edu Davud, in Turkey last January. In a very recent development, Turkey has offered to sell arms and ammunition to Kuwait and the United Arab Emirates and is awaiting their answers.

Officially, over 200,000 Turkish people work in Arab countries: the real figure is probably much higher. As many as a further 100,000 may be illegal workers in Saudi Arabia alone. Those figures are small if compared with the 2m Turks who reside in the EEC, but they work in a part of the world which holds much promise for *the future*.

Continued dependence on imported oil

SIGHS OF RELIEF are audible in every Turkish factory at present. There were no serious power cuts last winter, and managers have been able to focus as a result on the many other problems they face.

The nightmare days of 1979-80, a long cold winter with massive power cuts and long petrol queues, remain an unpleasant memory, however, and there are fears that fresh shortages could emerge when production picks up.

Energy policies

FRANCIS GHILES

Installed electricity capacity is inadequate and Turkey remains uncomfortably dependent on outside sources of energy; some 42 per cent of the country's requirements and virtually all its crude oil have to be imported.

Turkey, which is itself only a small scale oil producer, imports 85 per cent of the oil it consumes and this accounts for some 45 per cent of total energy consumption. The cost to the balance of payments is heavy, with crude oil accounting for about 40 per cent of all imports by value.

A number of new power stations and dams will be commissioned over the next few years and these will belp to meet the growing needs of the Turkish economy. However, considerable controversy still surrounds the possible ordering of two or three nuclear plants.

Turkey seems likely, too, to remain a small producer of oil. The geology of the main producing area in the south east is difficult and fractured. Local peak production was 3.5m tons in 1970 (about 70,000 b/day) and in recent years it has stayed at around the 2.4-2.5m tons. The bulk of this production has come from Shell, which last year produced 46 per cent of Turkey's oil, and from TPAO, the state oil company.

However, there are signs that the oil law of 1982 is helping to attract new companies. It allows foreign companies to export 30 per cent of the crude they discover, provides a ceiling on taxes of 55 per cent of corporate profits, and a 12½ per cent royalty.

The Swedisb company, Salen, is drilling off Iskanderun, and Mobil, Esso, Atlantic Richfield and Texaco are also taking a closer look at prospects in the country. This greater openness to foreign involvement is a recognition by Turkey of its own limitations.

TPAO is also going ahead with a secondary recovery project at the Bati Raman field for whicb the World Bank has put up $62m. It involves a highly sophisticated gas injection scheme aimed at lifting recoverable reserves from between 25m and 50m tonnes to 250m.

Reserves

Farther north in Thrace, the 40m cubic feet of gas reserves could be quadrupled, according to some estimates, and there are plans to build gas turbines which could produce enough electricity to replace the amount Turkey has been buying from Bulgaria and the USSR in recent years.

It is, however, thermal and hydroelectric power that have most to offer as an alternative to oil. The Turkish Electricity Authority (TEK)—which has a reputation for ambitious projects and for slow progress in completing them—brought into service last year the first of four 350 Mw turbines of the Afsin Elbistan lignite fuelled power station. This scheme was five and a half years late and there was a tenfold increase in costs during the planning and construction period.

These plants, when completed, will produce 1,360 Mw, with a further 1,470 Mw to come from seven plants being built at Mugla and 660 Mw from four other units in central Anatolia. Eight smaller plants, also to be fuelled by lignite, are planned around the country.

Implementation of these plans will depend on a quadrupling of the present annual 20m tons of existing lignite capacity. At present facilities to double capacity to 40m tons are being built. There are problems, however, with Turkish lignite which has a very high water and sulphur content and is difficult to burn.

This high sulphur content is also the cause of appalling pollution which hangs over lignite burning towns, not least Ankara, a problem which will have to be dealt with in coming years. High quality metallurgical coal is being exploited on the Black Sea, at Zouguldak—but with each worker producing on average only 100 tons a year there is clearly scope for productivity gains.

In the hydroelectric field—another potential source of power—dams are being built but only slowly, as the Ataturk dam saga amply demonstrates. A target of 100bn kilowatt hours of electricity from hydroelectric sources has been set, of which 70bn should, on average, be available though probably not much before the end of the century.

With total demand for energy produced from commercial sources expected to rise from 30m tons of oil equivalent (mtoe) to 48.3 mtoe by 1988 and to double before the end of the century, the Turkisb authorities are also looking, however, to nuclear energy to help fill the gap.

Last year the Ministry of Energy issued three letters of intent to U.S. General Electric, Atomic Energy of Canada Limited and Kraftwerk Union of West Germany. Whether the Turks want one 600 Mw reactor, two of this size or one large one remains unclear, however.

The choice of the Canadian reactor would also lessen Turkey's dependence on other countries for its uranium supplies.

The nuclear debate is technically very delicate, however, and politically very sensitive. Indeed the Greeks are keeping a wary eye on Turkish plans in this field, and although Turkish officials say they would accept International Atomic Energy Authority safeguards, Athens is bound to raise objections.

Delays look inevitable with finance, as always, the key hurdle. Long-time observers of the Turkish scene recall that after reaching agreement with Sweden over the building of a 600 Mw reactor in the 1970s, political and economic hurdles caused it to fall through.

It seems possible, therefore, that Turkey may just continue for the present with its 1Mw "swimming pool" research reactor at Kucukcemece near Istanbul. This is now being replaced by a 5 Mw research reactor at Istanbul University.

The Ministry of Energy, Mr Cemal Buyukbag, is adamant, however, that by next month he will have handed out orders for two reactors and officials are convinced that finding the $500—1bn needed to finance each plant will not undermine their ability to raise funds for other projects.

Turkey's present standing with international banks is good and whatever foreign loan is needed will come essentially from official credit agencies—disbursements being spread over many years.

Turkey's attempts to increase the volume of energy that it produces domestically have thus been dogged by problems of one kind or another. Costs are multiplying meanwhile and any shortages of energy similar to those endured by industry in recent years will seriously set back the performance of the country's industrial performance—and hence exports. Hopes of gas pipelines from Iraq or the USSR seem so far from the drawing board let alone future realisation that they are unlikely to alter this situation.

Yet, Turkey's per capita consumption of energy is still only one tenth of the West European average. Even if new capacity meets domestic needs which are expected to rise six fold by 1999, that would leave Turkey consuming less than half today's per capita usage of energy in Western Europe.

Exports boom fizzles out

SO, what went wrong in 1983? In the previons two years, at a time when world trade was in the doldrums, Turkey doubled its exports. But last year the boom ended.

All those who had argued that Turkey could not base its economic future on the volatile markets of the Middle East began to say: "I told you so."

Foreign Trade

DAVID TONGE

Certainly, part of the problem lay in Turkey's markets. Tha ending of clearing agreements with countries such as the Soviet Union had seen a slump in their interest in Turkish products.

The Ozal Government has been quick to send massive trade missions to some of its main trading partners. Some 200 businessmen have just come back from visiting Tehran with the Prime Minister and a similar Jamboree is planned to Libya.

Earlier, the Turks descended on Moscow boping to repair some of the damage to Turkish exports caused by the ending of clearing arrangements.

But for the new Government marketing is only part of the problem. For Mr Turgut Ozal, the Prime Minister, tha lax monetary policies and over-valuing of the Turkish lira practiced by his predecessor are the main reason for the set-back in 1983.

He has reversed both of these. During his first four months in office he devalued the Turkish lira against the dollar by over 20 per cent and plans to use a realistic exchange rate as one of the main ways of driving exports.

At the sama time ba bas slightly simplified export regulations and increased tha share of export earnings which exporters can keep abroad.

But ha bas coupled these measures with a series of moves which have had most of the exporting community up in arms against him.

The first is to wind down the amount of Government funds availbale for export credit: the Government argues that this credit should increasingly be provided by the banking system, rather than the Central Bank.

The second is to reduce the tax rebates granted for exports by one-fifth; a further reduction is due in September.

The third, and most controversial, is to giva special privileges to a "rich man's club" of exporters, in particular stipulating that henceforth only groups which export over $50m in 1983 will be allowed to trade with Comecon countries.

Tha Government's intention is simple. It has seen bow the ending of clearing agreements bas led to a slump in Turkish exports to the Eastern bloc and wants to improve the balance of trade in this area. It believes that companies which know export will be eble to achieve this.

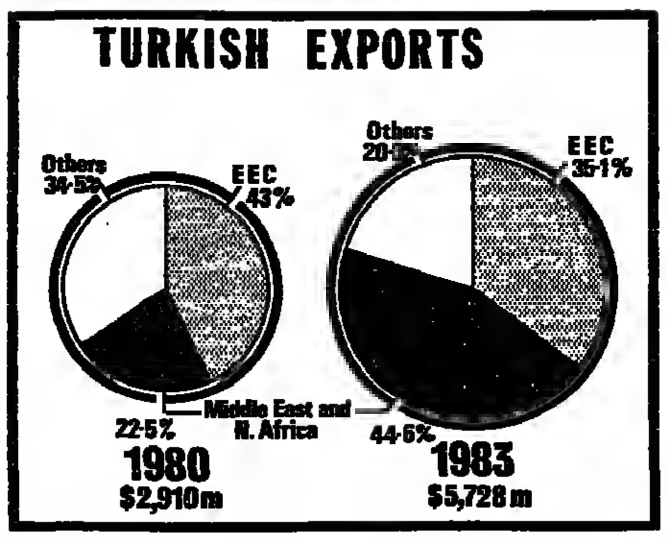
The move bas npset the Eastern bloc countries who object to being prevented from dealing with firms which they have come to know and trust. It bas also upset the small companies themselves.

One of the major trading bouses admits that it is still finding resistance from its would-be clients in Comecon, but the Foreign Ministry's view is that the furore is over.

However, Mr Nuh Kusculu, President of tha Istanbul Chamber of Commerce, remains extremely critical of the change. He argues that the large trading bouses will take time to find their way ronnd the market, that they are designed to export and know less about import, that setting the limit at $50m was totally arbitrary, and that the decision showed a total lack of understanding of, say, the Soviet market.

"We sent e mission to Moscow last December. We saw there were queues in the shops for Turkish goods. The problem is not that we do not know how to sell. It is that the Russians do not have foreign exchange for our products. If we sell more of a product like hazle-nuts now most likely it will be switched to other markets where we could have sold ourselves."

That said, the growth of the trading houses remains one of the more striking developments of Turkey's export scene.



Tariffs remain high

IT ALL started with bananas. Quick to take advantage of the Government's new import regime, two traders flew a dozen tons of "chiquitas" into Turkey in January. They were put on sale at 30 per cent above the price of their shrunken Turkish cousins. They sold out immediately.

Newspapers seized oo this incident as proof that the liberalisation measures, introduced by the Ozal Government at the beginning of the year, spelt doom for Turkish products. Share prices on the embryonic stock exchange fell by up to 30 per cent et the spectre of competition. The little-beard of Confederation of Banana Prodneers overnight became a household name.

Industrialists added their voice to the fray. Before long, the Government seemed to give in. Its new regime had ended the ban on banana imports and made them subject to licence. Now it made clear that few licences would be given.

Teething troubles

It was an inauspicious start to the Ozal Government's attempts to open up Turkey's notorious import regime. After all, if free trade could not survive the complaints of a few banana growers, bow would it handle the protests of each fresh lobby group which opposed imports from ebroad?

But, in the event, such early commotions have proved little more than passing teething tronbles.

For as time has passed most Turkish producers bave found they so far have little immediate canse to worry about what Mr Turgut Ozal, the Prime Minister, has described as a "complete ehange" of the import regime. In practice, imports remain generally discouraged.

The key change in the new regime is that Turkey is now relying on the price mechanism, rather than quotas and bans to control imports. In tha past, the Government put out two main lists each year, one saying which goods could be imported without approval and another stating which goods needed licensing. All other goods were banned.

Changing policies on imports

DAVID TONGE

The Ozal Government has reversed this. It now has a banned list of some 250 customs beadings, ranging from wigs, drugs and guns to numerous agricultural products and ceramics: it only allows imports of these on a case-by-case basis if they are to be used in prodnction for export.

Import of a further 369 customs classifications requires permission. These items include a number of industrial inpnts also made in Turkey. The remaining items can be imported freely—if you are prepared to pay tha price.

Apart from tariffs, which usually remain high, a special levy has been introduced on many consumer goods, food-stuffs and tyres. The levy is to be used to finanee mass housing.

Now, for example, eacb refrigerator import is not only subject te 60 per cent customs duty and 4 per cent production tax, but also to a $200 levy.

Municipal taxes and wharf dues also add to costs.

In general, domestic producers of consumer goods are more protected than before while producers of raw materials and semi-finished goods may have slightly less production. The requirement for import deposits against letters of credit has been lifted by the government though is still required by almost all banks.

The Government says that its long-term aim is to reduee tariffs so that domestic industry is forced to become more efficient. It sees this year's import regime is a first step in this direction.

But, in practice, it is only a relatively small step.

Moving slowly

One reason for the Government's moving slowly is because it has wanted Turks to become accustomed to the change from qnotas to the price mechanism, from quantitative to qualitative controls.

Another reason is that it had to ensure there was no surge of imports to strain the country's fragile foreign exchange balance.

In practice, the tight money policy followed at home means that there is not much cash around to pay for an import boom and, if anything, the level of imports has been below last year's levels.

Indeed, fears that Turkey wonld be swamped by imports have so far proved as illusory as claims that tbe country has already ended the decades of protectionism which bas swaddled the country's industry at the expense of the consumer.

GROWTH OF TURKEY'S MERCHANT FLEET

	1978	1979	1980	1981	1982	1983
Fleet weight, '000 GRT	1,185	1,204	1,235	1,443	1,912	2,232

Source: Lloyd's Register of Shipping.

Merchant fleet expands

Shipping

DAVID TONGE

THREE years ago Turkish-flag ships were carrying a mere quarter of the freight passing through Turkish ports, but Ankara's recent "fly the flag" policy is now beginning to pay off.

Last year alone the Turkish merchant fleet grew by 18.6 per cent to some 4m dwt, twice its 1980 size. The country is still paying an annual $0.5bn to foreign operators, but officials are confident that by 1987 they will have achieved a target originally set for 1993, that of baving 60 per cent of Turkish trade carried by the country's own merchant fleet.

The country's state sector has encouraged this development. Last year 87 per cent of the 18.9m tonnes of cargo shipped by the state economic enterprises was carried in Turkish flag vessels.

At the same time, major incentives bave been offered to Turkish exporters who use these vessels: they can deduct the full freight cost from their taxable Income. But it was the cheap credit available in Ankara which was the major factor causing the Turkish merchant fleet to grow into a significant force at a time when the fleets of many of the traditional maritime nations were contracting. The growth of transit trade to Iran and Iraq bas helped this process: Turkey earns about $0.6m from such trade. Equally, the country's special relations with countries like Libya which need Turkish sheep is now stimulating the purchase of suitable ships.

Will this continue? Shipowners are not so sure. They point out that the present Government has begun to reduce the amount of credit available as part of its general tight money policy. But other measures could ease the way for Turkish shipowners.

The Government has already shown its sensitivity to their concerns by stretching out existing loans to take the pressure off shipowners in trouble. Like numerous previous governments it has also cocked its ears to their requests that they be encouraged to buy tankers over nine years old and other ships over 14 years old.

One leading shipowner describes bow be bas told at least three prime ministers that such ships carry much of the cargo reaching Turkey yet Turkish legislation makes it almost impossible to purchase the cheap vessels available in the market.

"The last time I was in Ankara I was asked to write a report on this. I said I had already written three previous reports," be says wryly.

Here the authorities are caught between their desire to see more freight earried on Turkish-flag ships and their worry because 62 per cent of the fleet is over 10 years old. But ooe move which they propose and which is generally welcomed by the shipowners is a proposal to create a single under-secretariat for maritime affairs directly responsible to the Prime Minister. A dozen ministries and 30 other organisations now have some involvement in this area.

Major source of new contracts

IN AN attempt to create employment and improve Turkey's infrastructure, the new Government of Mr Turgut Ozal is considering ways to boost spending on public works by seeking foreign investment and credits, setting up a new housing fund, and raising capital from selling shares in national assets like the Bosphorus Bridge in Istanbul.

Public works

BRIAN GROOM

About TL600bn ($1.88hn) will be spent this year from central and local government funds on projects within the ambit of the Ministry of Public Works, *including roads, rail*ways, ports, schools, hospitals and homes, an increase of about 10 per cent in real terms.

Mr Ismail Safa Glray, the Minister, is looking at ways to increase spending over the next *six years, particularly* on *his* main priority, highways. When other Ministries' projects such as dams and power stations are added, Turkey's public capital investment rises towards TL1,000bn for 1984.

Public works had already begun to re-emerge as a major source of contracts in the last months of the generals' Government. After two years of tidying up the confused mass of 9,000 projects which were taking years to complete, some were dropped or shelved and work on priority items—mainly infrastructural ones — was speeded up.

Mr Ozal's Government ran into sharp controversy over its Savings Incentive and Acceleration of Public Investment Bill, passed at a *turbulent all*-night session of the National Assembly earlier this year. It was accused of stripping national assets and destroying the fabric of the Turkish state. The Bill has three parts:

● *Selling shares* in the *income* from installations like the Bosphorus Bridge and dams and harbours to small investors, but without property rights. The Government hopes to start this in June, after projects have been vetted by the National Security *Council for* their strategic importance.

● Selling shares in state enterprises like Sumerbank (textiles), the *Post,* Telegraph and Telephone Administration, and Turkish Airlines.

● *Leasing* to *major investors* the operational rights, and the right to take the income, of items like state mines, oil reserves and some infrastructural *facilities.*

The Opposition argued that allowing foreigners to take shares in state installations was not only unwise but probably unconstitutional. The centre-left Populist Party and Social *Democrats have threatened* to renationalise anything sold off.

The extent to which foreign investors will be interested in traditional Turkish preserves like roads remains to be seen. The Government is *talking* about building more toll roads and bridges, with the contractor granted the operating rights for a period to recoup his investment—or at least the foreign capital portion of it.

Another possibility is for Turkish companies to seek foreign loans. They have been reluctant to do this as the devaluation of the lira has left them with debts in the past, but the Government is introducing an exchange rate insurance scheme for foreign loans. Anoher problem has been *delays* in payment by the central government but Mr Kaya Erdem, the Deputy Prime Minister, says: "In big investments, which are mainly public sector ones, we will introduce a payment system with bonds and see to it that payments to contractors are made with no more than three months' delay. The monthly interest rate will be 2 per cent."

He adds: "The contractor will have the opportunity to transfer the bond into cash when he is tight in the money markets. We will try this system first in the highways and the State Hydraulic Works (DSI) because Turkey cannot withstand any delay in the transport and energy sectors."

The Bosphorus tunnel will be an important test of Turkey's ability to attract foreign capital for public works. The U.S. Agency for International Development is contributing an initial $1.2m towards a new feasibility study of a $1bn tunnel and a 6-mile metro line under Istanbul.

The Government hopes it will lead to a Turkish-American joint venture, most of it covered by U.S. credits. The project would connect the railways of Europe and Asia Minor, and ease the city's traffic problems. The study is due to start in October.

The Second Bosphorus Bridge. The outgoing Ulusu Government stirred up controversy last year by signing a $6m design contract with Freeman Fox of the UK for a new bridge in Istanbul. The existing one designed by the company 10 years ago used the same revolutionary box girders as Freeman Fox's Severn Bridge in England, which has been criticised for its safety. The company *defended* its Severn design. The new bridge will probably be similar to the first, with some innovations.

The award was strongly criticised in private by U.S. officials in Ankara who had expected it to be awarded to an American contender whom they claimed submitted a cheaper bid. The new bridge will be three miles north of and marginally shorter than the 3,520 metre span of the first. The design is due to be completed in March 1985. The existing bridge suffers heavy congestion at peak hours.

The Eastern Trans-European Motorway. This will link in with the *second* Bosphorus Bridge. The Government is giving priority to a 200 km stretch from Silviri to Adapazari with the bridge at its centre, and costing up to TL150bn ($470m) including the bridge. Designs for some parts of it are ready.

The TEM is a 6,200-mile project linking Gdansk on the Baltic with the Caspian and the Gulf. One-third of it would be in Turkey, eventually costing more than $7bn. It would share the Istanbul to Ankara route of the existing E5, and then split into two branches, one to Tehran and the other to Baghdad.

The E5 Highway. Work continues on upgrading streches of this road which connects Western Europe via Sophia, Istanbul and Ankara to Syria and the Arab world. Sections between Istanbul and Ankara are being widened into a *four-lane carriageway.*

Railways. Work is progressing slowly on a new and more direct line between Ankara and Istanbul, cutting 100 miles off the present route. It is due to be finished by 1995 but at the present rate it will not be ready before 2000. It would quintuple capacity and eliminate the bottleneck which causes goods to spend up to a month in transit through Turkey.

Second priority

Housing. This is the Ministry of Public Works' second priority. A new TL200bn-a-year fund is being established from a levy on cigarettes, drinks, some imports and foreign travel, which will fund grants of up to 50 per cent for people who build homes. The aim is to build 150,000 homes a year to house some of the swelling populations of cities like Istanbul, which is growing by 200,000 a year. The Government accepts that the money is far from enough to deal with the problem.

Cukurova region. The Government hopes the World Bank will contribute a $300m credit to provide better sewerage, housing, and roads for fast-growing urban settlements in this area of southern Turkey, *starting in 1985.*

In charge of a $2bn budget: Mr Safa Giray, Minister of Public Works. He is one of the Istanbul Technical University graduates who dominate the Government

A long-awaited national dream

TURKS will not believe it until the turbines finally start to whir but the nation's long-discussed dream—the $2bn Ataturk dam and hydroelectric plant—has come a step nearer to realisation. Contracts have been awarded and major civil works have begun.

The Ataturk Dam

BRIAN GROOM

The state water authority, DSI, is sticking to its aim of completing the *project* in 10 years. By that time another 12m Turks will have been born into the world. A year's delay, it is estimated, would lose Turkey TL 81bn ($253m) worth of electricity and 1.4m tons of cotton output.

The dam is the country's most important exercise in public works. The aim is to irrigate the arid Urfa Plain in the south-east well enough to reverse the migration of people to the cities, double Turkey's crops of rice, cotton, sugar beet and vegetable oil, and produce surpluses to feed and clothe the Middle East.

If completed, the scheme will generate 8.9 kwh of power a year. The dam's rock-filled, 180m-high wall is intended to create a lake 817 km square, containing 48.7m cubic metres of the Euphrates.

The Government's original plan was to complete it by 1987, but negotiations with an international consortium on credit terms broke down in the late 1970s. Now the aim is to commission the first 300 Mw power unit in May 1991, with the other seven following at five-monthly intervals.

The scheme still generates a whiff of controversy, along with scepticism by the Turk-in-the-street about how quickly it will be finished.

Surprise was caused last October when the generals' Council of Ministers, against the advice of DSI, gave the civil works contract to a *group of* three small Turkish companies led by Palet Insaat of Istanbul.

Finance

The consortium's TL 102.8bn ($321m) tender was the lowest of six bids, but a TL 108bn bid by the large and experienced Dogus Inssat had been widely tipped to prevail. No one has openly challenged the winners' expertise, but some observers wonder if they will have the political clout to keep finance flowing if the economy runs into trouble.

Finance has long been a bugbear of the project, but state officials now seem relaxed about it. Wild schemes once mooted like a $500m bond issue to Turkish workers abroad, a percentage tax on football pools, or a withholding tax on profits made by Turkish construction companies overseas are not planned.

Exports credits from abroad worth SwFr 963m ($430m) will finance the building of turbines and generators by the Swiss companies Escher Wyss and Brown Boverie. The bulk of the credit comes from a consortium led by Union Bank of Switzerland with a Swiss Government guarantee.

The equivalent of around $100m will come from West German sources, SwFr 57.8m from Austria and SwFr 59.9m from Italy, where some subcontracting will be done.

Turkey is pleased with the deal, under which the turbines and generators will be supplied at 1980 prices. It reflects the Swiss need to keep these companies' plants busy until 1993, and also shows that Turkey's growing creditworthiness is making it easier for suppliers to find credits.

DSI is optimistic about getting the extra $200m in foreign exchange which will be needed for construction equipment, and the TL 30bn-40bn in local currency required each year from the national budget. The access road and construction camp have been finished, and diversion tunnels will be completed next year.

The water authority's real headache is the related Urfa irrigation tunnel. It was begun in 1977 but is 1½ years behind schedule. Its planned completion date of end-1987 is unlikely to be met.

Dogus, the original contractor, was released in 1979, after spending TL 3.5bn, and the work was passed on to the Akpinar concern. There is now a row between DSI and Akpinar about the many problems, including financial and technical ones, which have caused further delay.

The Ataturk dam has raised tricky diplomatic issues with Iraq and Syria, which rely on the Euphrates for their food. Tuprkey has assured Iraq of a regular flow of at least 500 cu metres a second, but Syria did not take part in the talks.

The vast Tabkha dam, erected by the Syrians beyond Aleppo, gives them the power to tamper with the river's flow on a *potentially* castastrophic scale before it reaches Iraq.

Upstream of the Ataturk site, Turkey's Keban dam, which began operating in 1974, has been more than doubled in capacity to 1,360 Mw. The Karakaya dam in the middle—delayed three years in the late 1970s because of a foreign exchange shortage—should be finished in autumn 1986.

DSI has 13 other dams under construction and hopes to spend TL 1,000bn on completing them over 10 years. With Ataturk and Karakaya, this would add 6,414 Mw to the total 3,220 Mw capacity provided by the present 46 hydroelectric plants. Designs have been made for another 15 plants, but it would take a further 250 on top of these to realise the full hydroelectric potential of Turkey's many rivers.

Turkey has so far irrigated 2.7m of its 8.5m economically irrigable hectares of land. DSI plans to spend TL 1,500bn on adding another 1m hectares to this over the next 10 years. The authority's total budget for 1984 is TL 250bn. It tends to remain steady, in real terms, year by year.

The country's hydroelectric potential of 110 kwh a year is among the greatest in all Europe and Asia. So far it has tapped only 10 to 12 per cent of that.

Turkish industrialists have faced major challenges in the past five years: labour troubles, energy shortages, a collapse of domestic demand, soaring interest bills—such are the problems which have come and, in some cases, gone

Critical voices are muted

AFTER NEARLY six months of Mr Ozal's Government, Turkish industry is beginning to get some perspective upon the changes it has introduced.

Not everyone is happy — some firms indeed are known privately to be close to bankruptcy—but there are surprisingly few critical voices. Even Mr Halit Narin of the Turkish Union of Employers' Unions has recently modified his previously very unfriendly tone where the Government's policies are concerned.

Adapting to a new world

DAVID BARCHARD

Turkish industry grew up in a hothouse with most foreign competition banned and with booming demand on the domestic market.

Since Mr Ozal's first reform package of January, 1980, the old easy conditions have gone for good.

Interest rates are high—the net rate to most borrowers is still said to be around 65 per cent on average when commissions and other charges are included. Nobody expects the era of cheap money to return and while Mr Ozal is in office, rates to depositors are likely to stay above the rate of inflation, thus keeping up the cost of money.

Domestic demand has been cut—though it is still surprisingly strong. Last year there was an unexpected upturn in sales of passenger cars, attributed to the lower interest rates of Mr Kafaoglu, (the previous finance minister). Since Mr Ozal returned to power, heavily surcharged items such as Nescafe and Danish Blue Cheese have been selling rapidly, following their eppearance in the grocers' shops.

Nonetheless, most Turkish businessmen feel that they will have to export or survive in the long run. After 1980, exporting was made easy by high subsidies and tax rebates. These have been cut back since December last year.

Response from export sector

"The time has come when exporters have got to learn to stand on their own feet," says Professor Ekrem Pakdemirli, Mr Ozal's Under Setcretary for Trade and Industry. Turkish exporters respond by pointing out that they do not enjoy sophisticated banking, market intelligence, and export insurances services which are taken for granted by businessmen in other OECD countries.

One major State bank — the Anadolu Bankasi—may become an export bank under plans announced last November. And banks such as the Pamukbank and the Uluslarasi are offering new services to exporters, but these are still fairly rudimentary.

Meanwhile, large scale firms are having to turn their attention, even at home, to business ectivities which were previously little known. Market research, marketing, and advertising head the list. Many of the longer-established groups are said to be relnctant to waste funds — as they see it — on such activities at a time when money is very expensive.

None the less, the major groups have all developed their own marketing divisions — though this does not necessarily mean more than giving a grandiose title to e managerial figure.

Advertising budgets are still notoriously meegre, with firms splitting their allocations between television advertisements et home and prestige advertising in the international Press in the hope that this will boost their image abroad.

With the scramble for funds dominating business life, it is not surprising that private sector investment bas largely marked time over the last few years. Private sector investment which was around 50 per cent of total fixed investments before 1980 has been averaging around 40 per cent each year since then.

This is not to say thet there has been no investment of significance. Most of the major projects announced over the last two years—inclnding those in relatively tronbled sectors, such as the motor industry, where both MAN and Mercedes of West Germany have announced joint ventures with Tumosan, the state motor corporation and mining, where Phelps Dodge is involved in e tripartite venture with the Etibank and Gama Endustri—have been joint ventures with foreign capital. Domestic investment concentrates chiefly on lucrative lines such as road transport, and is usually small-scale.

Despite all this, Turkish manufacturing is growing, not contracting. The sector grew 6.4 per cent in 1983, compared to 3.3 per cent in 1982 and 7.2 per cent in 1981. It is targeted to expand by 6.6 per cent this year.

Not everyone is convinced that all the protestations of anguish from the hard-pressed Turkish industrialists are equally genuine. Bankers remark that many businessmen seem to have been successful in transferring their problems to the banking sector—which has been tolerant towards many long-standing customers.

Early in 1984, managing directors of several leading Turkish banks were admitting almost nonchalantly that they and their competitors were carrying a burden of between 25 and 30 per cent on everage of "non-performing loans" in their portfolios.

The extent of their liabilities was believed to be mnch higher in some cases. Defending banking policy on this point, banks would usually protest that the majority of their debts would be paid eventually.

"Hopeless debts are e very small percentage," said one bank owner. "I would put them at ebout five per cent or so."

How is the Government to avoid a domino-like succession of collapses? During 1983, the Ulusu Government and its finance Minister, Mr Adnan Baser Kafaoglu, resolved the problem by exceeding the limits of their agreement with the IMF, increasing the volume of currency in circulation—and it is assumed (no one knows quite how) channelling the resulting funds to companies on the edge of bankruptcy. There are believed to have been 60 or 70 such companies, queueing up for Government assistance.

That evenue is now presumably closed. Mr Ozal is no supporter of e policy of aiding lame ducks and in eny case, be now has a new and much tighter agreement with the IMF to guide monetary policy this year.

A measure of rationalisation in Turkey'e industrial sector is long overdue. Ignoring the many thousands of firms which ere local craft enterprises employing only one or two people and selling to regional markets, there are many medium sized enterprises which are no longer viable under new circumstances and which were systematically bought up by major construction groups after 1980 with an eye to the future.

Not all these groups are totally satisfied with the results. Enka, the best-known construction group, is said to feel privately that it went too deeply into the Turkish market.

On the other hand, subsidiaries selling everything from fresh fruit to textiles in world markets are now an important part of Enka'a overall operation.

Mr Ozal believes that Turkish firms should merge, wben they get into difficulties. The problem is that the family ethos runs deep in Turkish business. There are some partnerships—but they tend to be the fruit of lifelong family friendships.

Mergers are little-known

Mergers, in the Western sense, are so far little-known and for some directors of struggling enterprises, it can actually be more profitable personally to allow their firm to become insolvent than to sell control of it at an earlier stage.

None of this answers the basic question of 1984 in Turkey: just how many firms are capable of surviving and adapting under the present conditions? The indications are that the number is a surprisingly high one and that there may be more funds in the economy for industry than businessmen—boping for an end to high interest rate policies—will admit.

With the exceptions of the Kozanoglu-Cevusogln group, all of the major names in Turkish industry have so far survived though sometimes after debt rescheduling — and seem to be showing an astonishing resilience which can only bode well for the future.

Sector growing steadily

OCTOBER this year should mark a major step forward in the development of Turkey's plastics industry as the country's second petrochemicals complex at Aliaga is due then to begin operation.

Turkey's plastics industry has grown up largely along the lines favoured by the economic planners of the 1960s and 1970s. Small, scattered, and not very efficient private sector companies manufacture finished products at what their customers claim are high cost, using raw materials provided by State Economic Enterprises.

Plastics

DAVID BARCHARD

The country's first plant at Yarimca, near Istanbul, has been operating since the early 1970s. Capacity is 420,700 tonnes a year of which thermoplastics, including PVC and polystyrene make up the largest proportion, 84,600 tonnes.

The remainder is largely made up of synthetic rubbers (SBR and CBR—45,600 tonnes), synthetic fibres, including caproisctum (25,000 tonnes) and ammonium sulphate for Turkey's politically important fertilizer industry (100,000 tonnes).

The Petkim operation at Aliaga will have capacity of 1,083,000 tonnes a year and Turkish planners hope that when it comes on stream about 99 per cent of the country's raw materials will be produced domestically.

"We are going to try to export," says an SPO official.

Petkim has already set up e marketing division and plastics processors are being encouraged to learn new ways of using raw materials. Aliaga is to produce a mnch wider range of plastics than Yarimca, including aromatics such as oxylene and benzene, and raw materials for plasticisers.

It is hoped the new plant will be operating et around 50 per cent of capacity before the end of the year.

Its construction has been one of Turkey's major public sector investments over the past decede, with total spending of TL 224bn this year alone. The project's external financing requirement of over $200m has been met by more than 120 different agreements with British, Jepanese, and American banks and finance bouses.

When Aliaga comes on stream, imports of major raw materials items should fall sharply. PVC imports are expected to drop by 72 per cent this year and those of PE by 42 per cent.

Turkey will remain fairly dependent on imports of polystyrene, bowever, until an extension to the Yarimca works is built, planned for later this decade. Imports of PS will rise to 7,000 tonnes this year, growing by 133 per cent.

Tbe private sector's role is essentially a secondary one, thougb polyvinyl, ecetetes, plasticisers and stabilisers remain largely its domain.

"Turkey can be proud of these two complexes," says an SPO official. "They really show what Turkish technicians, engineers and workers can do without much outside supervision. By the year 2000, Turkey will be effectively self-sufficient in plastics."

Nonetheless, the picture is not an entirely rosy one. Apart from grumbles ebout prices, not all Turkish industrialists are bappy about the quality of product on sale or the vagaries they face in obtaining deliveries. Some would like to see at least some importing being permitted in order to ginger up Petkim.

There is also the more fundamental question of whether Petkim itself might not be a suitable candidate for eventoal "privatisation."

Despite difficulties common to all Turkisb industry (there is seid to have been a spate of bankruptcies among many of ibe smaller plastics firms in 1983), the sector is growing steadily.

·Cries of fright over freer car imports

The motor industry

BRIAN GROOM

TURKEY'S FLEDGLING motor industry, nurtured since the early 1960s behind a wall of protection, provides one of the stiffest tests of how far Mr Turgut Ozal can go in his professed aim of opening np the country to foreign competition. Plenty of voices warn of catastrophe if the Prime Minister moves too fast.

So far, he cannot be accused of doing that. The Government stopped a few manufacturers' heartbeats when it lifted the virtual ban on imports of built-up cars, as from January, but cries of fright rapidly became muted when they realised there would be no large influx of foreign vehicles.

Customs duties and levies are too high for any but the richest Turks to buy luxury vehicles, and a bread-and-butter 1,600 cc car costs about TL 3.5m ($11,000) to import compared with paying TL 2m for, say a Turkish-built Fiat of the same size.

Turkish workers returning from abroad were the only people hitherto allowed to bring cars in. Some increase is expected in the numbers imported, but not a great one.

The Government would like to lower import duties at a future date. The industry urges caution.

"National policy must help the industry become more competitive in world markets. It is necessary to accept a degree of imports, but the amount must not break the delicate balance in this sector," says Mr Ali Nizamoglu, general co-ordinator of Ercan Holdings.

Freer imports must go band-in-hand with increased exports, say many manufacturers, but breaking into new markets takes time. Turkey exports one-tenth of the vehicles it makes. Last year the number of vehicles exported rose to 12,166 from 9,743 in 1982 but their dollar value fell slightiy from $134m to $124m.

The bright spot was a rise in sales of tractors from $26m to $63m, mainly to Iran. Buses fell from $44m to $9m because of Iraq's problems and cars were down from $15m to $12m.

Turkey's motor industry is slowly recovering from the slump which cut production of vehicles from 146,095 to 67,817 between 1976 and 1980. The market collapsed because inflation and economic stagnation hit sales, strikes and power cuts plagued production and a foreign exchange crisis prevented companies from importing necessary parts.

Last year's output of 118,702 vehicles was 26 per cent up on 1982 and Mr Huhsin Yildirim, secretary-general to the Automotive Manufacturers' Association, expects a 10 to 12 per cent rise this year. The first two months were 39 per cent up on the same period last year at 23,009 but capacity usage was still only 47 per cent.

Despite low profitability and capacity use, there is no shortage of new developments. Foreign investors are showing continued interest in a country where labour is cheap and the market bas potential if the economy begins to recover.

Cahit Aral, Minister of Industry and Commerce: the Government would like to lower import dnties on foreign vehicles.

Ford is taking a 30 per cent ($12m) stake in the Koc group's Otosan, with which it has been associated since 1928. The company is spending TL 6bn ($18.8m) to produce the Ford Taunus from September 1985 with an eventual capacity of 18,000 a year, and bas spent $30m to introduce the Cargo 1312 lorry and start petrol and diesel engine production.

Mercedes Benz bas taken a 36 per cent share in Otomarsan's $80m project to produce lorries, engines and military vehicles at Aksaray. Renault is switching from the Renault 12 to the 9 at the Bursa plant it owns jointly with Oyak, the army pension fund.

Sabanci has proposals to produce 2,000 Mitsubishi buses a year under licence in a TL 1bn investment at Adana, and Mr Asil Nadir's Polly Peck is discussing the possible production of Daihatsu four-wheel drive cars, small service vehicles, medium-size buses and mini-buses et Izmir or Manisa. Buses are one sector not plagued by over-capacity; existing plants have been working at more than 90 per cent of their capacity.

Twenty Turkish companies last year manufactured a total of 42,509 cars, 41,799 tractors, 24,336 lorries, trailers and pick-nps, and 10,058 buses and mini-buses. All have arrangements with foreign companies, including most of the great names of the U.S. and Western Europe.

Economies

The units are small and likely to stay so, though the Government is considering a merger between state-owned Tumosan and Turk Tractor, in which the private sector has a majority holding. Both manufacture Fiat tractors.

Economies of scale have never been a consideration in Turkey's motor industry, at first because easy conditions behind protective barriers allowed many companies to grow, and latterly because of a lack of capital on reasonable terms. The independent-mindedness of Turkisb businesses, many family-owned, is also a factor.

The industry's main problem is demand. Fewer than two Turks in a hundred own a car. It costs about TL 35,000 a month to run one—beyond the means of most civil servants and affordable only for higher earners in the private sector. There is great potential for lorries; Turkey has only 200,000 in a country of 47m people.

The Automotive Manufacturers Association is considering a cautious upward revision of the 617,000 vehicles which it forecast would be produced between 1983-87 in a recent study. If capacity use reacbes 70 per cent there could be supply problems for some parts like brake and steering systems and gears, but a large number of Turkey's 1,000 motor component makers are also suffering from overcapacity.

MOTOR INDUSTRY DEVELOPMENTS

Company	Project	Location	Foreign connection	Value	Status
Anadoln	Light-duty trucks	Istanbul	Isuzu		Re-organising factory
BMC	Switching to heavy-duty Volvo engines	Izmir	Volvo		Under study
Ercan	Lorry plant	Ankara	MAN	$38m	Under construction
Ercan	Heavy-duty diesel plant	Ankara	MAN		Under construction
Otomarsan	Truck engines, lorries, military vehicles	Aksaray	Mercedes	$80m	Approved
Otosan	Switch to Taunus car	Istanbul	Ford	$19m	Re-organising factory
Otosan	Petrol and diesel engines; Cargo truck	Inonu	Ford	$30m	Completed
Polly Peck	4-wheel-drive cars, small buses	Izmir or Manisa	Daihatsu		Under study
Sabanci	Buses	Adana	Mitsubishi		Under study
Tumosan/ Akmosan	Medium-duty diesel engines	Aksaray	Mercedes		Under construction

Manufacturers jubilant over record exports

Textiles and clothing

FRANCIS GHILES

AT A recent textiles promotion held under the aegis of Otim, a trada exhibition centre set up by private industry in Istanbul, the Balinder company, which specialises in manufacturing jeans, school uniforms and corduroy, paraded two dogs, dressed in blue jean tops, a humorous way of protesting against EEC quotas.

Despite these difficulties, Turkish exports of textiles and clothing were worth $179.4m in January this year, representing e 50 per cent increase over the same month last year. Such buoyancy is comforting to Turkisb textile manufacturers whose sales ebroad bave shot up from $27m in 1970 to $1.3bn last year. Overall textiles last year eccounted for nearly 30 per cent of all exports of manufactured goods.

Exports of cotton yarn were worth $190m in 1978, $230m in 1991 and $160m for the first eight months of 1983; over tha same period exports of ready-to-wear earned $38m, $302m and $360m respectively and cotton weeves $13m, $32m and $55m.

The picture for January thus suggests continued progress but, as one exporter wryly pointed out, "this year always starts well with the EEC—restrictions start appearing in late summer when some European countries see how successful we are."

No one has forgotten the great Turkish T-shirt invasion: 9.3m units in the first four months of 1982 — which prompted a ban for the rest of that year. The Turks answered with a rather ineffective 15 per cent retaliatory tariff on EEC iron and steel. That has just been cut to 5 per cent.

In the ten weeks which followed the lifting of the ban, the Turks sold 10m shirts, or 10 per cent of total exports for 1982. Complicated negotiations with quotas introduced for eight types of shirts then restored a little order.

The Turks, bowever, hava a case — the ban violated the country's association agreement with the EEC at a time when non-associate countries were achieving far greater market penetration than the Turkish 3-4 per cent.

Furthermore, the quota egreed between Turkey and the EEC on cotton yarn, 77,100 tonnes for 1983 and 77,700 tonnes for 1984 is hardly different from the first ceiling on such Turkish imports imposed in 1977—76,00 tonnes.

Protectionist measures taken by the EEC during the past four years bave been highlighted in the Turkish Press. These measures include:

- A 16 per cent deposit on cotton string goods, which the EEC started to collect from December 3, 1981. This deposit has turned into a 12 per cent anti-dumping tax since April 1982.
- Britain's decision, in May, 1982, to restrict Turkey's cruda linen imports to 1,000 tons.
- Italy had stopped importing Turkey's crude linen until December 31, 1982.
- The EEC had stopped the import of ready-to-wear goods until October 15, 1982.
- The decision taken by France to ban the import of Turkish-made shirts and jackets.
- The EEC gave France the right to stop tho free circulation of certain textile goods.

Turkish yarn export quotas to EEC member states in tons:

	1984	1985
Germany:	25,945	26,100
France:	3,010	3,090
Italy:	30,488	30,636
Benelux:	13,590	13,680
UK:	3,820	3,940
Eire:	155	156
Denmark:	53	56
Greece:	39	42

Source: EEC Commission, 1984.

Flooding the market was not very tactful, but then the Turks are new at tha game and still learning. As for the EEC, its textile lobby carries much weight, in individual countries as in Brussels. Turkish companies are, however, finding ways around the quotas—some of which appear quite effective, though the exact measure of this success remains very difficult to assess.

Unlike some other manufacturing nations, Turkey cannot turn to the Middle East so easily if she faces difficulties in selling to Europe. Apart from Iran which buys semi-finished goods for its own textile industry, most importers want finished goods.

TURKEY'S MAIN HOLDING GROUPS IN 1983

Main activities	Turnover TL bn	Investment TL bn	Profit TL bn	Exports $m	Companies $m	Staff
Koc: Antomotive, consumer durables	652	10	33.5	208	88/117	26,800
Sabanci: Tyres, textiles, food, cement, banking	610	26	n/a	183	39/90	28,500
Cukurova: Textiles, tractors, banking, contracting, cement, chemicals	370	9	n/a	237	/51	28,540
Enka: Contracting, trade, plastics, engineering, metal working	244	3	n/a	313	/41	23,523
Ercan: Antomotive, building materials, chemicals, banking	160	8	8.5	33	/30	11,957
Dogus: Contracting, banking, food prodncts, trade, tourism	141	0.8	1.8	101†	24/	8,142
Kntintas: Contracting, textiles, chemicals	128	5	11.6	30	n/a	n/a
Yasar: Agribusiness, fertiliser, tourism, chemicals	102	15	8.5	87	35/	6,500
Tekfen:	88a	1.8a	1.7a	53	20/	3,500
Profilo: White goods, electronics, construction	85	8	n/a	17	15/23	5,000
Anadolu Endustrisi: Automotive, beer	81	11	n/a	55	31/	6,000
Eczacibasi: Chemicals, medicine, construction	61	8	n/a	20	24/34	7,000
Transturk: Machinery, electronics	40	6	n/a	50	43/	5,000

† Includes contracting revennes and tourist earnings. a) a TL250 per $.
Note: These figures should be treated as indicative only and with some caution. Most are unconsolideted and some groups treble count a single item. In tha companies the first figure is for wbolly or mainly owned firms and the second includes minority shareholdings.
Source: Meral Tamer Cumburiyet, and company interviews.

Sector has 27,000 small businesses

Traditional metal-working

DAVID BARCHARD

METAL-WORKING is one of the oldest industrial sectors in Turkey. Indeed, much of it has still not emerged from the era of small craftsmen. Of about 27,000 firms known to be engaged in metal-working activity, fewer than 800 employ ten or more workers.

Significantly, 436 of the 800 are located in or around Istanbul which plays a disproportionate role in the life of this sector, just as it does in the rest of Turkish industry.

The role of the state is correspondingly small. One major public sector investment is under way at Geredo on the road between Istanbul and Ankara. The Gerkonsan A.S. plant, begun in 1976 and due for completion by 1985 or 1986, will provide construction industry equipment.

Many of Turkey's contractors hsve set up their own plants to build equipment (though the average Turkisb building site relies on wood for both moulding and scaffolding purposes even today).

Demand grew by 5.8 per cent last year and is expected to increase by 6.1 per cent in 1984. Production, according to the State Planning Organisation, sbould rise by 7.2 per cent to reach TL 313bn.

As elsewhere, the aim remains self sufficiency even today, with the hope that surplus production can be exported. Imports were around $261m in 1982 and $232m last year. They are expected to rise by about 4 per cent this year, consisting mostly of items which cannot at present be manufactured in Turkey—a miscellaneous range of commodities from nail-clippers to certain types of boiler.

Exports dropped from $107m in 1982 to $94m last year, but this disguises what officials hope is a rapid trend towards the development of external markets. Before 1980, there was only a trickle of sales abroad. Mr Ozal's reforms produced a 35 per cent leap in exports almost immediately.

The obstacles remain quality control and the small-scala nature of production. The overall profile of the sector has not changed greatly in a decade and the rise of larger units and the gradual disappearance of smaller family craft firms does not seem to be happening fast. There are a few exceptions to this generalisation—Sungurlar, for example, are Turkey's largest makers of boilers and producers of construction industry materials are developing steadily.

The general malaise of Turkish industry—underutilisation of capacity—affects metal-working too. Capacity utilisation this year is expected to be about 55 per cent, which represents an improvement on much lower figures two years ago but is still agreed to be unsatisfactory.

Tho scattered nature of production makes the collection of reliable statistics rather difficult, while innate traditionalism combines with administrative problems, to make it difficult for the Government to foster change. Industrial extension projects, regarded by international agencies as being largely ineffective, could do more to stimulate change.

So, too, could better regional policies. The over-concentration around Istanbul is a natural consequence of the proximity of supplies, customers, and infrastructure, but some economists would like to see the encouragement of medium- and small-sized ventures in the hinterland of Anatolia, especially in the under-industrialised east where most industrial activity at present consists of ramshackle state enterprises located there for political reasons.

Tha proximity of the Middle Eastern markets for Turkey's contracting companies might be a partial inducement for firms to set up plants in the provinces if other incentives were sufficiently strong. In fact, significant amounts of construction industry metal equipment is now produced in or around Ankara because of its closeness to the Arab world.

One catalyst for change could be foreign investment. A few Turkish firms have set up partnerships with foreign companies, but they remain very much the exception.

In general, this looks like a sector in which the aspiration for self-sufficiency has been easier to achieve than concentration and growth.

Excessive red tape checks development

Tourism

FRANCIS GHILES

TURKEY remains a land of adventure — and visitors from abroad often find that their first surprise comes when flying with Turkish Airlines, THY. The airline is famous for rescheduling flights at short notice and an imperious attitude to its passengers, but it is the flying habits of its pilots which remain the most remarkable feature of the company.

Most of them served in the military airforce. Some, it is said, delight in flying their civilian craft as if they were military planes. The result is not always welcomed by passengers.

Having cleared that hurdle, the visitor will then have to face Turkish taxi-cab drivers; in Istanbul they drive their cars as if slowly slaloming down ski slopes. What with the bad surface of the roads and other imponderables, reaching your hotel can turn out to be quite entertaining.

While Istanbul has recently acquired an elegant new international airport in place of its former rather large Nissan hut, Ankara airport is more akin to a landing strip than a real airport.

Much scope for development

That Turkey is — in terms of tourism — under-developed, is obvious from even a cursory glance at the figures: 1.3m tourists visited Turkey in 1982, 1.6m last year.

Tourism earned the country a net $281.3m in 1983, a 7.5 per cent rise on 1982; that is below 10 per cent of total exports. Local and foreign investment in tourism has been hovering around the equivalent of about $100m these past four years, and bed capacity only amounted to 55,500 in 1982, 65,000 in 1983, below that of Tunisia—a country a fraction of Turkey's size.

Senior Turkish officials remain very ambivalent towards tourism, even though they pay lip service to its development. Meanwhile, the many Europeans who know how beautiful this vast, open-air museum of a country is, secretly pray that it never meets the fate of its Greek neighbour.

The reasons why tourism has not grown more quickly in the past ten years have as much to do with incompetence and bureaucratic muddle than with any desire to keep the foreign hordes out.

There is little doubt that the visitor to this particular state office in Ankara finds more disorganisation than planning.

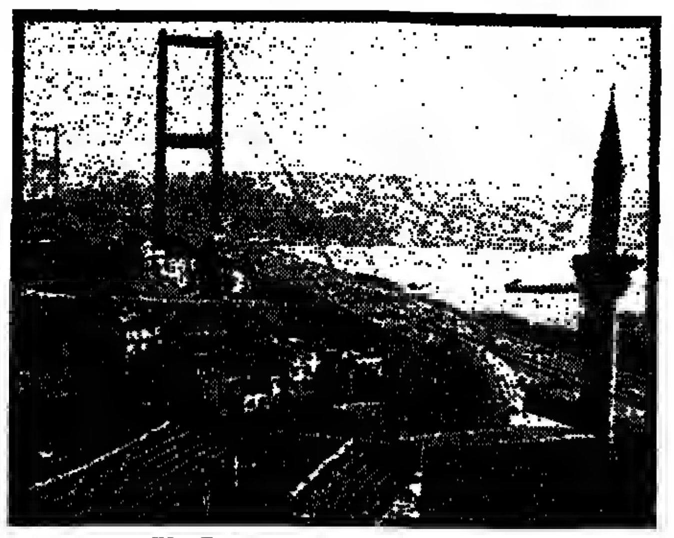
The manner in which the three best hotels in Istanbul, the Etap-Marmara, the Sheraton and the Hilton, recently joined by the new officers' club—deface the skyline of what remains (despite the decaying state of many roads, bridges and buildings) an enchanting city, suggests that a rapid growth in tourism, and hence a boom in hotel building, could wreck the appeal of those towns.

There exist a number of projects to build new international-class hotels in Istanbul and Ankara; the way the eventual decision is reached remains tortuous, quite apart from the fact that it usually takes years to decide, anyway.

Ankara has only one international-class hotel, the Buyuk Ankara, which needs redecorating but offers good service and food. From its top-floor restaurant the visitor enjoys an unequalled view of the messy sprawl that is Turkey's modern capital city.

The hotel is, like many other large ones in the country, owned by the Turkish Civil Service Pension Fund.

In Istanbul, the Etap Marmara, Sheraton and Hilton all compete for the same international clientele. The latter, however, could do with better food and more efficient service all round; the staff in the restaurants and reception appear to think that keeping their guests waiting is part of the price.



The Bosphorus Bridge, Istanbul

The Government has, over the years, offered a number of incentives to those companies interested in developing hotels: land at low rents for up to 99 years, basic infrastructure in development areas, long-term credit at subsidised rates of interest, up to 60 per cent of the project cost and exemption from property construction tax for up to five years.

Many companies have, however, syphoned-off money, lent by the state, into other activities — when it is not red tape with which private investors have to contend, there often appears to be a total lack of state control on where state monies go.

Other problems also occur: a law was passed late in the 1970s forbidding the building of hotels on the edge of the coast so that some new developments are now legally not allowed to operate—though in practice, probably will be able to do so.

The biggest development now going ahead is centred on South Antalya where, with the aid of the World Bank and others, 25,000 new beds are due to be built.

This province was thought to be so beautiful in ancient days that Mark Anthony offered it to Cleopatra as a wedding gift.

To the West 10,000 beds are planned at Koycegiz near Dalaman airport and to the East 11,750 beds at Side, an old slave market.

Projects more specifically geared to the Middle East market are going ahead, notably at Bartiboy on the Marmara coast. Meanwhile, the area around Tarabya on the Bosphorus is slowly turning itself into a mini-Beirut, complete with its gambling parlours, loud music and hotels: greatly enjoyable, but not for family holidays.

Other projects are also seeing the light of day: the German W. Bensch company has leased the island of Karaada, 3 kilometres from Bodrum, for 49 years at $40,000 a year. It will build five hotels, a marina, a helicopter pad and a large swimming pool.

A factor hampering faster development has been Turkey's considerable lack of infrastructure. A new airport was recently opened at Dalaman, on the southern coast, but, by the standards expected by most tourists, resorts can still be a long way from the terminal at which they enter Turkey—and the roads are not up to the expected standards.

Horror tales about Turkish hotels abound from hot water flushing out of loos instead of showers, to serious over-booking which forces visitors to resort to smaller hostelries whose delights do not include a high standard of hygiene.

These stories may often be true but the Turks are among the most courteous and hospitable people around the Mediterranean.

Furthermore, the joy of eating in restaurants where none of the neighbouring tables are speaking a language you can understand gives an edge to a Turkish holiday which the Costa Brava and Greece cannot match.

Land of historic treasures

For those tourists who are not simply in Turkey for a tan, then the country offers a fascinating variety of sites and foods. South of Antalya, the coast of Mersin has some impressive castles, such as Silifke, but the real treasures lie inland around Konya and, further to the east, in the more remote provinces of Van and Kars.

Konya which stands on the site of the city of Catal Huyuk, which flourished in 6,500 BC, was the centre of Selfuk power in the middle ages before the Turks conquered Byzantium: it is a centre of early Turkish architecture which strikes a delicate balance between purity of line and intricacy of decoration.

To the north east of Konya lies the surrealist landscape of rock caves, eroded out of volcanic rock that is Cappadocia. Here are to be found dwellings hewn out of rocks which are entered from the roof and the rock chapels of Goreme.

Further east, as the Anatolian plateau gives way to more mountainous terrain, are a wealth of small towns that bear testimony to bygone civilisations.

Telephone system in line for major improvement

Electronics

BRIAN GROOM

THERE IS hope yet for users of Turkey's chronically congested telecommunications system.

PTT, the Turkish Post Office, will shortly—after a recent hiccup—place with a foreign company an order for digital telephone exchanges to be manufactured in Turkey, worth $300m over five years, thus accelerating the growth of the country's youthful electronics industry.

The waiting list for telephones in Turkey can be up to 14 years, according to the more fanciful estimates, and when you have got one it seems to take as long to put a call through. PTT plans to change that by spending $6bn over 10 years in a telecommunications "master plan" to raise the ratio of telephones per 1,000 people from 47 to 140.

Turkey's plan includes installation of an automatic dialling system throughout the country, a 1,000-channel ground station for international calls, a new telex system, a data transmission system, and connection of the country to the European telecommunications satellite.

PTT's intention to place an order for 3.4m digital exchange lines is a crucial part of the plan. It makes up the second half of the country's requirement for digital exchanges: a contract of similar size was awarded last year to Netas, the 16-year-old joint venture between PTT and Northern Telecom of Canada.

The hiccup occurred when the Government said negotiations were being re-opened, after ITT, the U.S. multinational conglomerate, claimed it had won the new contract. With ITT executives still protesting that a "letter of award" made the order theirs, Turkish officials accused the company of making a premature announcement and said it was still open to other competitors such as L. M. Ericsson of Sweden and Siemens of West Germany.

The issue has become caught up in a difficult international situation. At one point Turkish officials wanted ITT to help persuade the U.S. Congress not to make payment of U.S. aid dependent on Turkish conditions over Cyprus. Now the Government seems mainly interested in obtaining better terms.

Plans for 500,000 lines a year

If the ITT deal is finally confirmed the company expects to take a 20 to 35 per cent stake in the PTT's subsidiary Teletas and within five years will be producing 500,000 lines annually at Teletas's Istanbul plant.

Apart from exchange lines, ITT would produce wireless telephone systems for Turkey's 47,000 villages, up to 3.5m subscriber telephone sets, pay phones, and a complete range of transmission products. Although the initial phase is worth $300m to ITT, over 10 years it could reach $900m.

Turkey is grasping the importance of electronics, and new developments are emerging rapidly—not as fast as in Western Europe, but faster than in the Middle East. They use the pool of talent created by the country's best universities. Ankara's Middle East Technical and Istanbul's Bogazici.

Local companies which hire graduates from these institutions have hitherto found it difficult to hang on to them as many have sought jobs in Western countries, but there are signs that the "brain drain" is starting to be reversed. ITT proposes to bring to Istanbul several Turks currently working in its U.S. and European operations.

The assembly side largely dominates Turkish electronics with about 20 companies active in the field, including eight assembling television and video sets. These are to be joined by Mr Asil Nadir's Polly Peck which is to make Ferguson colour TV sets.

There is scope for expansion of component manufacture. Most items made locally are the simpler ones, though ITT's colour TV licensee, Meta, for instance, makes its own tuners —a fairly complicated part— and imports only colour TV diodes and integrated circuits.

The state electronics corporation, Testas, has plans to manufacture more advanced components. Currently it makes passive components like capacitors and resistors, but it aims to make semi-conductors with Exar Corp of the U.S.—starting with transistors and perhaps moving on eventually to integrated circuits.

In the private sector there is scepticism about whether Testas will achieve its aim. One public sector company for which there is wide respect, however, is Aselsan, the military electronics company. Its profits rose to TL 366m ($1.14m) last year from TL 200m in 1982, on sales up from TL 1.6bn to TL 3bn, and the company plans to build a second factory in Izmir.

Netas, which makes private telephone branch exchanges and handsets as well as switching systems, is also highly profitable. Last year it made TL 3.6bn on sales of TL 10.6bn. Its plans for export have got off to a start with small orders from Pakistan, Jordan and Libya, and Netas is bidding against five companies for a $50m switching equipment order from Pakistan's Telephone and Telegraph Department.

There is scope for ventures to be set up in a vast number of fields such as industrial and medical electronics in Turkey. Most major groups are examining it, weighing the potential for eventual profits against the two to three year grace period before investment begins to be recouped.

"It is an unconquered jungle," says Mr Celasin Egel, general manager of Gama Electronics, established late in 1982.

Companies complain of some restrictions and impediments. Gama, which makes security devices, plans to expand by selling taximeters in competition with Testas, but 3,000 have lain unsold in a warehouse for months because of delays in getting permission from the police authorities.

Only one Turkish business has so far begun computer assembly, Biltek of Ankara, which is producing Kinzle mini-computers. Some electronic engineers predict a growth in computer assembly in future years, but although the market is growing it is crowded with 120 companies selling different types of imported hardware. The main problem in the computer sector is a lack of adequate software back-up.

Move to make more of the food surplus

AGRICULTURAL production declined in Turkey last year by 0.2 per cent—in sharp contrast to the strong rate of growth in the industrial sector. This decline is seen in agricultural exports, too, whose share in total exports of $5.7bn in both 1982 and 1983 declined from 41 per cent to 37 per cent.

Many observers believe this trend will be confirmed this year as the authorities continue to encourage the exports of industrial goods while continuing to impose taxes on the export of raw agricultural products.

Agriculture
FRANCIS GHILES

However, it is worth remembering that many industrial exports, not least textiles, are agricultural-based.

Even allowing fer the relative decline, the agricultural sector which only accounts for 20 per cent of the country'a GNP, has done the export sector proud. Today, many Turkish officials wonder wbether giving the priority to exports ef this sector, rather than industrial goods, would not make more sense in the lenger-term.

Indeed, Turkey could become the food supermarket of the Middle East. It is one of a handful of countries which is not only self-sufficient in food, but has a sizeable surplus.

This surplus and the lack of concern shown in the country when it comes to throwing away food suggests that agriculture is an asset which is underexpleited.

As the Middle East labours under a growing food deficit, should net Turkey press ahead faster on developing its processed food industry, rather than concentrate se much effert en sales of machinery?

The Government is making an effert: U.S. husinessmen came to look at investment opportunities last autumn; meanwbile, their Turkisb counterparts carried the message te Germany recently. Foreign investment is new allowed in seed productien, cattle hreeding and animal husbandry, export-oriented fresh fruit and vegetable production and the food Industry in general, where exports are required te be a minimum ef 30 per cent ef production.

Foreign investors in these categories are eligible to benefit from a number of tax allewances and fiscal incentives.

The Gevernment is alse taking a series ef measures which, it is heped, will rationalise the allocatien ef resources to this sector. They include a reductien in crop price support measures as well as consumer price subsidies; the elimination of export licences and minimum export prices to ease the administrative burden on exporting; the eliminatien of the Government's monopoly en meat

However, the stranding of flour-loaded trucks of the Cukurova company at the Habur Bridge, on the Iraql frontier, twe months ago, when the Treasury made flour exports subject to licences, ahows that the deeds do not always matcb the words. The 200,000 tons of fleur sent by Cukurova were expecied to earo $33m, but exports contracted en the basis of a price of $166 a ton were put in jeopardy when the Government set a new minimum ef $240. The 5 per cent rebate per ton, werth $8.5, was abolished, the net result being that EEC exports ef flour, wbich benefit from $84 a ton rebate from the EEC Commissien will continue to gain ground.

Improvement

Iraq aod Iran together import about $1bn worth ef flour a year: Turkey's share of the Middle East flour markets is a meagre 1.5 per cent.

Over the past two decades, the agricultural secter appears te bave financed the growth of industry, despite tbe "wheat-for-oil" slogan used hy General Evren, the Turkish Head of State.

Agriculture is being improved everall, the country's petential is recognised, yet ne sense of urgency appears to exist. Turkey may well have 100bn cubic metres a year of usable water, 24m hectares of irrigated land, 83m animals and 60 per cent of its population working on the land yet all that enly accounts for one-fifth of GNP.

The agricultural bank seems to be rescuing steel and textile firms, not the best way it would appear to ensure more growth and modernisatien. The percentage of investment funds going to agriculture is increasing, but only very alowly.

More fundamentally, the debate over certain fundamental issues does not appear to have been resolved—let alone acted upon decisively.

The thrust appears towards the intensification of the sector, rather than expansion. Against this, the completion of the Ataturk dam will increase by 2m hectares the amount of Irrigated land in the poorer south-east ln the Harran plain.

To intensify production a series of measures have been taken over recent years. They include plans to increase what remains a very low use of fertilisers te 15m tonnes by 1986 and the growing use of farm vehicles which remains the lowest among OECD countries.

Land reform is not a topic the visitor hears much about and the Government has just abolished the department concerned. Opposition to such reforms would be stiff—particularly in Eastern Turkey where whole villages still belong to Aghas (feudal landlords).

Prices remain very low and the volume of product left behind at the end of the day in markets in major Turkish cities bears ample evidence of how little value is attached to such produce.

Furthermore, while the policy ef promoting exports sounds a good ene, officials ln Ankara are realistic enough to know that, with the exception ef certain products, the EEC is unlikely to provide major new markets for Turkish agriculture.

Whatever the qnality of Turkish prodnce, and it can be among the world's best, it stands little chance in the context ef the surplus already in the EEC and the entry of Spain and Portugal.

So, desplte eye-catching banner headlines in the Turkish press such as "Turkish fruits knock down Greek raisins," the Middle East market remains the great hepe—and is already actively buying. Meat shipments by air from Gaziantep have begun and preparations are under way for fresh fruit and vegetable exports from the rich Adana area. Saudi Arabia has also shewn interest in joint trade ventures.

Where eastern European markets are concerned, exporters are urging the Government to restore the clearing system that existed prevleusly as it is feared holding companies will not give enough attention te such trade.

Cotton exports to the Soviet Union could gain much from such a system. Its loss has cost Turkey most of its tobacco exports to the USSR, which declined from 13,000 te 1,000 in the three years te 1983. Exporters are not happy—"ne one should rely en exporters of fruit and vegetables to attain $7.5bn export target," says M Yasar Unal, the President ef the Fresh Fruit-Vegetable Union. "Bureacracy is doing its ntmost to prevent us from exporting."

As with so many other aspects of the Turkish economy, an extraordinary inept and slow bureacracy can defeat the best policies.

Problems

One of the major headaches for the Government remains the setting of support prices for major crops: if it sets the price much below market levels and fails to buy up the crop (as happened with barley last year), farmers sell to middle-men, who then export the produce. Last autumn the Government had to import barley, when its fere-cast of demestic demand under-estimated real needs.

The Government's decision to increase fertiliser prices by about 60 per cent last January—they had not moved since 1981—led te loud complaints. However, the Government has promised that these lncreases will be reflected in the soon-to-be announced support prices. Further, farmers still continue to enjey interest rates of between 22-28 per cent on farm credits, against rates of 52 per cent en shert-term commercial credits.

The Industrial Develepment Bank has identified a number of gaps which will have to be plugged if agricultural output is te expand—new seed strains need to be introduced (the U.S. company, Carghill, has shown interest in investing in this sector as has the Cukurova Group); mere cold storage and refrigerated transport capacity is needed (facilities for cold storage along Turkey's Agean and south Mediterranean coast, not te mention around Keyseri are being used at near full capacity); factory hygiene and marketing skills need to be improved in what is usually a cut-throat internatienal market.

More fundamentally, lack of irrigation, low use of fertilisers, the fact that Turkey's national seed system has not kept pace with new technology—quite apart from erratic weather conditions about which bureaucrats can do little—are hampering progress.

Nor have these who tried their luck at food processing forgotten the attempts to set up such industries in the 1970s. Several fruit juice and temato paste factories discovered that there was elther a shortage of the raw produce they needed or that its quality was too low. However, Turkish exporters have moved to displace some Western exports of lamb, poultry, eggs and tomato paste in the Middle East. The new Government says it wants a greater share of credits for agriculture to go to the processing industry.

Coal pit productivity among world's lowest

ALONG with agroindustries and tourism, **Turkey's mining sector has been selected as a priority area for attracting foreign investment and the State Mining Agency, Etibank, has been entrusted to the "trouble-shooter" among the seven Ministers of State, Mr Ismail Ozdaglar.**

It isn't difficult to see why. A combination of depressed conditions on international markets and acute managerial shortcomings inside Turkey has meant that the country's minerals sector is woefully lagging behind the rest of the economy.

Mining sector
DAVID BARCHARD

The performance of the hard coal mining industry, where the number of employees has virtually deubled over the past decade while output has dropped to nearly half, la illustrative. A very large slice of the profits made by Etibank in 1983 came not from its mining activities, but from its banking and financial operations.

In re-assessing the future of the Etibank and the mining secter, Mr Ozdaglar admits that "certain realities" as well as what he politely refers to as "institutional thinking" have to be taken into account.

This means that even if the Ozal Government would like to see a degree of privatisation in the sector, the attitude of the armed ferces means it may be politically impossible. In fact the June 1983 mining law actually extended the state monopoly over the mining of certain strategic minerals.

One goal of the new law was to encourage foreign investment. So far, Etibank has completed one frame agreement with Phelps Dodge of the U.S., and talks for several ethers have been nearly completed.

Joint venture

The agreement with Phelps Dodge, known as the "Cayeli Project" is a tripartite joint venture in which Etibank will hold 45 per cent of the equity, while the fereign partner has 49 per cent.

The remainder will be held by Gama Endustri, a Turkisb private-sector company. Copper, zinc, lead, pyrites, geld silver and ether minerals will be mined.

Though Etibank has been able te find fereign companies in West Germany, Italy and Lihya interested in striking up similar deals for copper extraction in the Siirt region of south Eastern Turkey and for marble quarrying on Marmara Island, offers have not yet been forthcoming for other projects. These include perlite, volcanic tufa, aluminium prejects.

Etibank handles about 40 per cent of mining activity in Turkey with 1,065 projects (the state is responsible overall for about three quarters of mining eutput, when the agencies for coal mining and Iron and Steel are added).

In an effort to improve its performance, Mr Ozdaglar plans to shift new funds to the bank. He admits, however, that it will not be easy to tackle the root causes of the sector's inefficiency. Not just new plant, but also new marketing techniques are needed.

"We should try and concentrate on the more valuable minerals," says Mr Ozdaglar, pointing out that in some minerals (fer instance borax) Turkey shares a privileged market position with enly two er three ether world producers.

One major problem is the shortage of hard coal for industry. In 1976, output was around 6.5m tonnes. Last vear it was only 3.8m tonnes, while consumption was around 5.1m.

As a result, Turkey has meved from being a surplus country for hard coal, to being one that has to import a substantial amount of what it uses.

"Hard coal mining in Turkey requires us to ge down to deeper and deeper seams between 500 and 1,000 metres," says a State Planning Organisation official.

Nonetheless, this explanation does not fully dispel the image of an ailing and mismanaged coal industry which is periodically highlighted by mining disasters such as that in Zonguldak in the spring of 1983.

Accident lists published in the Turkish press then revealed a string of recurrent disasters, many linked to fire damp, stretching back for half a century with scores of lives being lost, often in the same pits. Productivity in Turkish coal mines remains among the lowest in the world.

Energy needs figure high in the areas of interest to MTA, the State Prospecting Agency, which plans to spend TL 14,000m this year on prospecting.

TL 2,848m is to be spent looking fer new coal deposits; TL 1,075m on the hunt fer iron ere (of which Turkey has also become an importer — imports in 1983 totalled $610m, (15 per cent up on 1982).

A substantial slice of MTA's prospecting budget — TL 741m —is now going to the search fer geothermal sources of energy and a pilot geothermal station was recently built near Denizli. Zinc, copper, and chrome are other areas of interest.

Apart from the minerals already mentioned, the Government hopes that foreign investors may be found for magnesite (where an Austrian company has been eperating in Turkey quite satisfacterily since the 1960s) antimony, asbestos, barytes and bentonite, and for ceramic minerals such as kaolin, wollastonite, and feldspar.

Problems reflect the divisions of society

Women: the myth and the reality

Dr. NURI ISLAMOGLU-INAN

IT IS so often claimed that the Turkish Republic has ensured the emancipation of women that the reality experienced by Turkish women is often overlooked.

Turkish woman is presented to the West as the dashing symbol of the liberated Muslim woman who — thanks to the reforms of Mustafa Kemal Ataturk — cast aside the veil and plunged into the modern world.

The country's laws are presented as stipulating that, unhindered by the Islamic religious tradition that subordinates women to men, Turkish women *enjoy equal rights and opportunities* with men.

A closer look, however, reveals that Turkish women are not an homogenous body. Instead, when taken as a whole, their problems reflect most dramatically the divisions within Turkish society.

The benefits of equal rights and opportunities are not shared equally by women of different classes.

Women's participation in the labour force, especially in the urban labour force, is limited. The national ideology inculcated by school and state media in no way challenges the sex-linked values of society as a whole.

Village life

The majority of Turkish women live in villages. While primary education is compulsory for all in Turkey, this education bears little relevance to the future lives of women often due to work family plots without pay. The role of women as mother, the subordination of wife and the female's segregation from public activities are not questioned.

In certain regions attendance at religious courses which underline women's inferiority is strictely enforced for girls; a further factor interfering with the entry of women into the "secular" public sphere.

At the same time the increasing mechanisation of agriculture since the 1950s has had the effect of displacing women from the fields and has led to their withdrawal into the house and their increased dependence on men.

This tendency has been reinforced with the migration of men to Europe as guest workers. Though the money sent home by men benefits the family financially, it also seems to have contributed to the withdrawal of women from agricultural production and to their increased dependence on their husbands.

Moreover, with their husband in Europe for long stretches of time, Turkish women's position as wives has proved vulnerable as they face competition from the foreign women with whom many husbands establish liaisons. Cases of abandonment leading to divorce are frequent in migrant worker families.

Women living in the *gecekondus* (squatter areas of major cities) are also homebound showing very low rates of participation in the urban labour force.

In 1976-77 in the *gecekondus* of Istanbul and Ankara, respectively, 5.5 and 6 per cent of the women between the ages of 15 and 64 were working. These women migrants from the countryside, unskilled, are employed in low-paying low-prestige jobs in light industry and in services such as tailors, manicurists, hairdresser attendants, and maids.

Faced with women's wages industry around two-thirds of those paid to men or the distasteful position of serving upper class women, *gecekondu* women long preferred to sit at home and tend their children.

This was especially the case in the late 1960s and the 1970s, a period of relative economic prosperity and of strong unions, when their husbands had enjoyed high wages.

Since the present economic recession began this pattern has rapidly changed. Rising costs of living and the suppression of unions after the 1980 military coup has put the *gecekondu* population in financial straits. Women are being increasingly drawn into the labour market, in particular the service sector.

Many women are still content to continue as the traditional wife, shrouded and housebound, but studies on *gecekondu* women show relatively high levels of education among those who are the second generation of women to live on the fringes of the towns.

In contrast to their mothers' generations' illiteracy rate of 50 per cent, all of the second generation attend primary school and some enter high school. Yet, the education on offer remains largely irrelevant to their daily lives, except in so far as it is a means of integration into the

Indeed, it is television programmes such as "Dallas" with their glimpses of a consumer's paradise wrapped up with the sentimental trappings of the battle between the sexes and photocomics with rich-boy-falls-in-love-with-poor-girl motifs, that dominate the world of *gecekondu* girls.

Their aspirations to become part of the middle class are also kindled through their contact with upper and middle class women who they serve in various capacities.

In the extremely fluid social environment created by commercial capitalism with fortunes made overnight, young women of *gecekondu* increasingly feel that riches are within reach if only they catch the right man.

Their new mistresses, the views of *nouveau riche* merchants who often differ from their maids only in their consumption patterns, serve to further such aspirations.

The Turkish women to most visitors from abroad are those in the professions and civil service. Indeed, the participation rate of Turkish women from the elite class in professions is high, with one in every five practising lawyer a woman, as is one in every practising medical doctor. In the early years of the republic in response to the increased needs of the new state for professional cadres, education of women was encouraged as part of a recruitment process for the elite.

Women shoppers discuss vegetable prices in a busy Istanbul market

Elite class

In Turkey, as in most Third World countries, education of women was not so much a means of mobility for women of all classes but for consolidating the role of the elite. Of the first generation republican women of the elite class as many as 30 per cent received a university education.

It is interesting to note that only 12 per cent went on to sustain uninterrupted careers; the rest did not work once they had children.

Since the 1960s, with the expansion of the middle class, the numbers of women attending the university has increased substantially (though the proportion of women students to the total university students was higher in 1924-25). Yet, the conditions of university educated women today are different than those of their counterparts in the 1920s and 1930s.

Most women today work to contribute to the family budget, whereas in the earlier period the families could very well subsist without women's contribution.

Increasingly, these urban middle-class women, not unlike their counterparts in Western Europe and the U.S., are seeking ways of coping with problems of getting assistance in housework and child care.

While the shanty towns still provide the labour power to work as maids in midlde-class homes, rising costs of living and in some cases unwillingness to endure the social and psychological tension of having somebody to serve you increasingly result in attempts at initiating child care centres and asking for the husbands' participation in housework. These are bringing a new dimension in the relationship between men and women and have contributed to the stirrings of a feminist movement.

Looking at Turkish city women in the mid-1980s it is striking how for most, education is an instrument for social mobility, through marriage and not a way to self-realisation or self-development.

It is a reflection of this that a university degree is now a sought-after credential in the country's beauty queens.

* * *

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Most of the world's hazelnuts are grown in the region

Northern coastal area rich in agricultural produce

The Black Sea coast

BRIAN GROOM

AT ANKARA, my flight to Samsun was delayed two hours because of fog at the other end. Bad weather is often the way with northern Turkey's Black Sea coast. It can rain for days on end, even in summer. Not many foreigners come.

Tourism is a non-starter, even with beautiful scenery, fine beaches, mountain-climbing to the east, and historical remains. Not such a pity, the people say. The rain which prevents development of beach resorts, favours the growing of hazelnuts, maize, tea and tobacco on the narrow, lush coastal strip behind the Black Sea mountains.

Much is distinctive behind that natural barrier. As the Kingdom of Pontus, it kept the Romans out for several years. After the fall of Constantinople to the Crusaders in 1204, the Byzantine Emperor Alexis Comnenus fled to the Black Sea port of Trebizond (now Trabzon), where his successors survived for 250 years before Mehmet the Conqueror seized the token empire for Islam in 1461.

The eastern Black Sea people, the Lazs, are held by other Turks to have the same attitude towards money as Scots and Jews in Western jokes. Their Turco-Georgian dialect is unmistakeable in the hotels, restaurants and pastry shops which they inhabit as cooks all the way to Istanbul.

The coastal strip runs from the sandy baches of Kilyos, Sile and Akcakoca in the west, past Turkey's largest coal and steel centres at Eregli and Zonguldak, through Samsun—where Mustafa Kemal Ataturk landed to start the war of independence in 1919—Trabzon and the tea-growing centre Rize to the Soviet border.

Samsun is not a place most tourists would choose. Though founded in the 7th century BC, the town consists mainly of modern blocks of mixed quality. At the centre of the coast's widest agricultural belt, it has its share of shanty dwellings put up by villagers who came in search of a better life.

At the Chamber of Commerce and Industry, once they have got over the shock of a visit from a Western journalist, a small and friendly crowd gathers. Their port is booming, they say, because of goods from the Soviet Union, Bulgaria and Romania bound for war-torn Iran and Iraq.

The port employs only a small number of the Samsun area's 1.2m people. Of these 250,000 live in the town, but the rapid construction fuelled by its tripling in size over the past 20 years has slowed dramatically in recent months as fewer people could afford the new buildings.

Mr Yusuf Altunic is keenly aware of that because the timber business which his father and grandfather owned before him were not very profitable last year. He voted for no-one in the recent elections, though most of the town voted for Mr Turgut Ozal.

The villagers have grouses, too. In the past six years the Government has paid low prices for the tobacco they grow.

"A farmer used to be able to buy a tractor after selling 1,000 kilos of tobacco. Now he needs to sell 10,000 kilos," says Mr Altunic.

Most industry is linked to agriculture — 13 wheat mills, a cigarette plant, an animal feed factory and a margarine plant. There is a state-owned copper factory, a long way from the ore mined at Murgul near the Soviet border. Building the plant at Samsun was a political decision by the conservative Justice Party to buy votes in the 1960s, say the businessmen.

The Black Sea coast's recent political past is mixed. Fifty miles east the towo of Fatsa was taken over by the far Left in the late 1970s. Of its 23,000 inhabitants, 750—3 per cent—are on trial on charges of "turning the town into a commune," with the death penalty sought in 261 cases.

The coast road to Trabzon winds through hazelnut groves on the slopes of beautiful hills. Turkey produces 70 per cent of the world's hazelnuts, most of them here. Villagers want to grow more because they are easier to tend than other crops, but the Government tries to stop them because there is already over-production.

Pollution

Trabzon retains little of the historical grandeur it enjoyed as a Byzantine capital and a key point on the silk road to the east. Though it is imposingly situated in a ravine, there is much modern building around the old citadel and a grey film of pollution lies over everything because a cement works was built near the centre of the town in 1961.

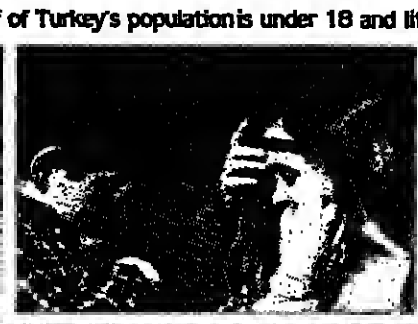
Its port is booming and capacity will be expanded from 440,000 tonnes last year to 2.5m tonnes by 1987. Trabzon is nearer to the Iranian border than Samsun, which is getting Trabzon's overspill of shipping.

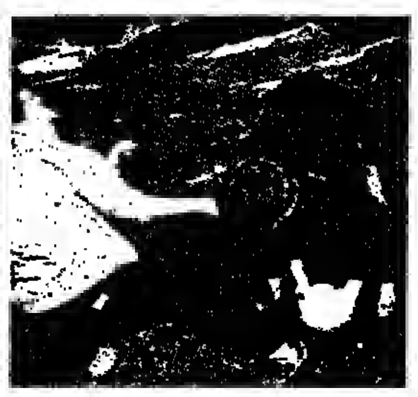
Will the port be the Black Sea's white elephant when the Gulf war ends?

No, says Mr Coskun Erkuloglu, president of the Chamber of Commerce and Trade: "Goods will be needed for postwar reconstruction."

Trabzon has experienced a fair amount of industrial development, helped by government regional incentives between 1974-79. It has two fish oil factories, a steel casting foundry, a maker of electricity pylons and prefabricated houses, a plastic sponge plant and a manufacturer of industrial gases.

Its industrialists feel the classic dilemma of today's Turkey. Mr Fahrettin Kursunoglu, a shoe manufacturer, voted for Mr Ozal's Motherland Party because he saw little choice, but would like to see industry shielded from high ioterest rates. His business is conducted on six small sites. To become a big exporter he needs to build a modern factory, but the cost of capital is to high.





Kind climate and economic progress

TURKEY'S south-eastern province of Adana is nicknamed by its inhabitants the "Turkish California." Nature is generous. The land is good, water from the Toros mountains which dominate the Cukurova plains is plentiful, winters are mild and summers hot.

It is the centre of the cotton growing industry and also boasts excellent fruit and vegetables—in some cases three crops a year. Textile factories line the road between Mersin and Adana.

Other industries are present, such as tractor assembly plants. Two of Turkey's most powerful holding companies, Sabanci and Cukurova, come from here—or at least founded their industrial dynasties in the region—and own many factories.

Yet, 100 years ago the area was one large malaria-ridden swamp. There had been some progress in settling what were essentially nomadic tribes but real economic development and even the establishment of a tractor assembly plant started at the end of the 19th century prompted by two events.

Firstly, the British and Swiss came to Mersin and helped to start up the cotton trade; the Armenian, Greek and Arab Christian minorities were, as elsewhere in the Ottoman Empire, those who really ran all the trade. To this day their imprint on, and presence in, Mersin remains strong.

Secondly, the province became linked to the strategic Berlin Baghdad railway while the Germans also built a railway between Mersin and Adana.

After the start of Turkey's war of independence the province was partly occupied by French troops who, with the help of Armenian groups, fought against the troops sent by Ankara. Turkish rule eventually prevailed, but the departure of many Greeks, Armenians and Christian Arabs, robbed the province of much of its trading class. Trade declined, and the Turks took some years to become the new traders and merchants—a tradition alien to their military and farming background.

The next boost to the area came with the draining of the marshes between 1925-1940. That led to a spurt of cotton-growing and allowed the plantation of fruit trees and vegetables on a grand scale.

Dominated by often large properties, the cotton crops draw in much labour, particularly from eastern Turkey. Class lines are clearly drawn, even if everybody is living above the average standard for the country.

The cotton-picking season takes place in the autumn when the small growers, who are always pressed for money, sell their crop first to the middlemen who, in varying degrees, control the trade. The larger merchants stock the cotton, waiting for the price to go up.

The large state and private holding companies, which have greater financial resources, sell their own cotton later in the season, sometimes as late as May, when prices are highest.

The rush of people seeking jobs occurs in the autumn, and the recently elected Mayor of Mersin, Mr Okem Merzeci,

The South
FRANCIS GHILES

acknowledges that while, for the time being, his town has a well-balanced group of industries, there is a risk of the area falling victim to what some already call the new gold rush.

Mersin has a very active port and hopes to open one of Turkey's first two free trade zones next year on a 1.8m sq metre site next to the port.

The town is the centre of transit trade to Iraq and Iran, which is estimated to earn Turkey $700m a year. The thousands of trucks which pour in and out of the city certainly make driving somewhat hazardous.

Mersin also boasts a refinery, Atas, and a fertiliser factory, cement, and glass plants are active and both here and further south in Iskenderun where much of the oil Turkey receives in barter payment for its exports to its two Muslim neighbours is stored as is oil given by Iraq to contractors instead of dollars.

Mersin seems also to have acquired a mayor that fits its high profile: Mr Merzeci belongs to the Prime Minister's party; he has never been in politics before and is a construction engineer by training.

Nearby Tarsus, where the Cukurova Group have a modern yarn and weaving plant, seems to bear out the words of the apostle, Paul, "the time will come when people will come to Tarsus anxious to buy a length of cloth." While Adana is a bustling, crowded city of 1m people whose redeeming features include excellent kebabs in street restaurants and lively "Lokantas," restaurants with orchestras who enjoy playing a *pot pourri* of syrupy Arab music, more robust Turkish songs and the latest Western hits among which Italian sentimental songs hold pride of place.

Large quantities of food are served, and everybody takes Friday night off for fun.

It would not be fair to leave this region of Turkey without remembering some of its past glory. Running through Silifhe —dominated by the imposing ruins of a seljuk castle one of the keys to the Toros range—is the Goksu river where the Emperor Frederick Barbarossa drowned during the Third Crusade.

Further down the coast, on a rock out at sea opposite the little resort of Korykos, is the maiden's castle, Kiz Kalesi: a king locked away his daughter here to avoid the fulfilment of a prophecy that she would die from a snake's bite. Unfortunately, a gift of grapes offered to the young lady concealed the deadly reptile.

The hills above the road are littered with Roman and other remains, none of them marked. Fallen columns mark the sites of the Roman cities of Kanytelis and Pompeiopolis.

From Tarsus the land flattens into the cotton-laden Cukurova Plain—the eastern part of which was known in ancient times as the plain of Issor, where Alexander the Great defated his Persian foe, Darius. Alexander then went on to found the part of Alexandretta, now called Iskenderum, beyond which lies Antakya, the Biblical Antioch, where the apostle Peter founded the first Christian community.

Thus, the Adana province appears to be reviving its ancient glory, at least in commercial, industrial and agricultural terms.

A prime location for industry

IT WOULD be hard to exaggerate the importance of the Aegean coastal region and the system of deep river valleys stretching inland from the coast for the Turkish economy.

The region is, in many respects, a political backwater (except when it comes to gathering in the votes at election time-trends in the Aegean region have been virtually decisive since the beginning of the democratic period in Turkish history in 1950) but after Istanbul it constitutes the economic backbone of Turkey.

Cotton, tobacco, citrus fruits, vegetables, dates, figs and other Turkish staple crops pour out of Izmir's fertile and well sunned and watered hinterland. It is from this region that the country's first food export industries have come.

Yasar Holding and Piyale are among the leaders in the new processed foods sector, although a now dwindling Levantine and foreign community in Izmir testifies to a trading history which goes back centuries and still continues, for instance, in figs.

Since 1960 its favourable conditions have made Turkey's Aegean region a prime location for industry after Istanbul and Bursa. The city has become a centre for private iron and steel production and BMC chose to locate their plant here. A great deal of light industry has followed suit, making Izmir into one of Turkey's most prosperous cities and, by general agreement, probably the most comfortable to live in, if a faintly provincial conservatism is overlooked.

This difference of tone asserts itself in various ways. The Aegean Chamber of Industry and Commerce is one of the country's major power bases in the business world. The University of the Aegean (Izmir's first — a second university was formed in 1982) is probably the most successful of Turkey's generally rather sickly provincial universities. It was from here, that Prof Ekrem Pakdemirli, the all-powerful Under Secretary for the Treasury and Foreign Trade, emerged.

By contrast, Adana's Cukurova University in the other important provincial industrial and agricultural region for Turkey remains embryonic.

The West
DAVID BARCHARD

One manifestation of local self-consciousness is the newspaper Yeni Asir, which is Izmir based, and though relatively little known in the rest of the country, is the region's major daily and employs some of the most advanced technology in Europe. Other local papers — such as "Demokrat Izmir" — have also played a major part in its life in the past.

The cause of this is not simply local pride. Though the coastal area and the valleys behind it enjoy good transport and communications, both Ankara and Istanbul are at least seven or eight hours away. The train connection between Izmir and the capital is scheduled to take 15 hours and is often longer, in practice.

Before 1924, Ismir and its hinterland were part of unified Aegean zone with trading links with Europe. At the Congress of Lausanne and earlier, the Greek government defended its claim to the mainland coastline on the grounds that the islands and the coast were a natural economic unity.

The presence of nearby Greece is still felt in a variety of ways, but the centre of gravity has now clearly shifted to the mainland where (depending on how you define the region) up to 4m people live. I compared to about 200,000 on the neighbouring islands.

The indigenous Greek population—more than a million people—left after the 1924 Lausanne Treaty and population exchange, but crumbling churches and the occasional grandly built warehouse basilica testify to its vanished presence. Immigrants from Bulgaria and the Balkans and resettled people from other parts of Turkey took their place.

The division between "yerli" (local) populations and "göcmen" or "muhacir" (immigrant) populations from the Balkans goes deep and sometimes manifests itself in fights, bloodfeuds, and local political squabbles, even after 60 years.

Meanwhile, though few of them can travel there, most citizens of the Aegean region have seen Greece, looking across at Samos, Chios, or Mytilene from the narrow sounds dividing them from the mainland coast.

Short-wave radio and television reception is good. Many middle class families watch English-language programmes on Greek television and when, during Greece's transition to colour television three or four years ago, transmissions were interrupted, the Greek Embassy in Ankara was besieged with complaints and enquiries from Turkish viewers.

Tribal provinces remote from Ankara

GEOGRAPHY, HISTORY, and climate have combined to make Turkey's remote eastern provinces strikingly different from the rest of the country and a headache for successive administrations.

One problem, by European standards at least, is distance. Van, the administrative centre closest to the Iranian border, is almost as distant from Ankara as Tirana or Alexandria—an hour-and-a-half away in a DC-9.

Altitude is a second factor. A city such as Erzurum is nearly twice as high above sea level as Ankara, which is itself 845 metres up.

Temperatures in winter are bitter, plunging to minus 20 or on occasion even minus 40 Centigrade.

There are exceptions. The town of Igdir, situated in a deep valley close to the Soviet frontier, is said to have the same baking climate as Adana. The towns of the "Mesopotamian plaines — Diyarbakir, Mardin, Urfa, and Gaziantep—are lower lying and as a result experience scorching summers.

But, in general, the area is much less kindly to farmers than the rest of the country, and it contrasts dramatically with regions in the Aegean such as the Menderes valley where

Eastern region
DAVID BARCHARD

farmers may have to exert themselves hardly at all to grow two or three crops in the same soil in a year.

Though Turkey's agricultural output will be dramatically increased in the 1990s, as a result of the construction of the Ataturk dam and the irrigation of the Urfa Plain — cotton growing and many other hot weather crops are expected to shift here from the Adana region — for most of Eastern

In the meantime, livestock production and a little cereal growing remains the basis of agriculture, while industry is chiefly confined to mining (whose potential in this region has yet to be tapped) and a few usually rather inefficient state plants making staple products such as cement or sugar.

Against this has to be set a population profile which again is unlike that of the rest of the country. The difference which hovers omnipresent but unadmitted over the area is partly linguistic.

In Van, about 60 per cent of the population are Kurdish-speaking. Further south and west, the percentage is much higher.

The difference showed up, albeit it faintly in the 1982 referendum on the new constitution when the "yes" vote (although always overwhelming) was about 10 per cent lower than the national average in several south eastern provinces.

Before 1980 separatist movements in the area seemed to have established a foothold. If so, they have since been firmly dislodged. In the areas north of the Syrian and Iraqi borders, local feeling may still be intense (though it is not always Kurdish—Arabic and Syriac are also spoken), but it has little scope today for political expression.

Despite this, differences continue to crop up. The local elections produced five victories for two parties—the Right-wing Nationalist Democracy Party and the traditionalistic and religious Welfare Party — in eastern Turkey which contrasted with the clean sweep for Mr Ozal's Motherland Party elsewhere.

Feudal and tribal factors still play a much stronger part in life out in the east than strictly political ones (a fact which in the mid-1960s got some radical chic Marxist intellectuals into Parliament because of their family connections). Religion is also a much stronger factor than in the rest of the country.

Income levels are agreed to be much lower and unemployment is much higher—though the circulation of detailed regional statistics seems to be officially discouraged.

A few years back Hakkari, Turkey's poorest province on the corner between Iran and Iraq, had only one doctor. Today, the figure is nine, but it is still well below western Turkey's average.

Unemployment is visibly far higher than in the west. The absence of industry is not the only factor responsible. Eastern Turkey's birthrate — possibly responding to social and economic inequality — is far higher than that of the more developed regions.

Families of 13 or 15 children are common. Walking in villages around Van or Mardin, amidst a swarm of leg-high children, can put the traveller in mind of nursery book illustrations of Old Mother Hubbard. There is as yet no sign that birht-rates are falling—unlike the rest of the country where families of two or three in the towns and four or five in the rural areas may now be typical.

Desipte this, and probably as a result of self-consicou Government effort, the last five years have seen unmistakable improvements. Some of the most abject poverty seems to be less widespread and the quality and number of shops has begun to increase.